

# Appendix B to April 22, 2025 Bulletin: Redlined Guide Chapter Changes

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A combined redlined file of all Guide chapter changes  
made with the April 22, 2025 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 April 22, 2025 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 April 22, 2025 Bulletin and Appendix A to April 22, 2025 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](http://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/Service Guide

## Chapter 2

### General Freddie Mac Policies



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**2.1 Notification concerning Principals (12/12/24) Requirements related to Financial Crimes and the integrity of parties involved in Freddie Mac business (07/01/25)**

~~In addition to the requirements set forth below, Chapter 7 sets forth Freddie Mac's requirements regarding fraud detection, prevention and reporting. The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.~~

~~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. The Seller/ Servicer must comply with the provisions of Chapter 7, which set forth, among other matters, Freddie Mac's requirements regarding the detection, prevention and reporting of Financial Crimes, and regarding the integrity of the parties involved in Freddie Mac business.~~

- ~~● Cease involving the Principal in any of the Seller/ Servicer's Freddie Mac business, and~~

- ~~● Notify the Multifamily Fraud Investigative Unit in writing at MF\_Mortgage\_Fraud\_Reporting@freddiemac.com~~

~~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.

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**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 (12/12/24)**

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 (12/12/24)**

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.

See also the provisions in Chapters 46SBL and 47.



**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.freddiemac.com/lenders/legal/](http://mf.freddiemac.com/lenders/legal/).

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

Freddie Mac legal forms that are not available at [mf.freddiemac.com/lenders/legal/](http://mf.freddiemac.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 [mf.freddiemac.com](http://mf.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 [mf.freddiemac.com](http://mf.freddiemac.com), [http://www.freddiemac.com/terms/logo\\_use.html](http://www.freddiemac.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](mailto: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, 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)
- myOptigo<sup>SM</sup>
- 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/Service 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/Service'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 (12/12/24)**

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

Prior to the Seller/Service's implementation of any of the Freddie Mac Multifamily Software Applications and/or the Freddie Mac Approved Third Party Applications, the Seller/Service 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 [mf.freddiemac.com](https://mf.freddiemac.com), including the Freddie Mac Exclusionary List

The Seller/Service 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 (12/12/24)**

The system administrator is required to identify:

- Each Seller/Service 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 [mf.freddiemac.com](https://mf.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 myOptigo<sup>SM</sup> 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](mailto: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](mailto: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, take each of the following actions in a timely manner:

- 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/Servicer 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/Servicer'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/Servicer or a vendor for the Seller/Servicer, 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/Servicer'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/Servicer grants Freddie Mac the right to periodically request a user listing for Seller/Servicer's users from the system administrators of Freddie Mac Approved Third Party Applications.

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

At least every six months, an authorized officer of the Seller/Servicer 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/Servicer 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 (02/27/25)**

**a. Overview (05/05/17)**

Freddie Mac may require or permit Seller/Servicers 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/Servicer. 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 (06/13/24)**

**1. Minimum standards**

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.

**2. Restricted access from foreign countries or regions**

Notwithstanding any other provision in the Guide to the contrary, Freddie Mac may utilize traffic filtering or block or otherwise restrict the access of Seller/Service's, their third parties and/or their respective authorized users from certain countries or regions outside the United States. This may include, but is not limited to, blocking access from countries or regions implicated by sanctions or other restrictions imposed by the Office of Foreign Assets Control ("OFAC"). Freddie Mac shall have no liability to Seller/Service's, their third parties or any other party as a result of imposing or effecting any such restrictions on access.



**e. Compliance with security standards (12/12/24)**

**1. Minimum security standards**

- The Seller/Servicer 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/Servicer's compliance with Freddie Mac's minimum security standards
- The Seller/Servicer's compliance with the minimum security standards does not relieve the Seller/Servicer from any of its obligations set forth in this section
- The Seller/Servicer 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**

The changes to this Section 2.26(c), as announced in the December 12, 2024 Bulletin, are effective April 1, 2025.

If the Seller/Servicer knows or reasonably believes that there has been any loss, theft, unauthorized or improper disclosure or use of the Seller/Servicer's Electronic Signature, the Seller/Servicer 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**

The Seller/Servicer'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/Servicer's access to Computer Systems of Freddie Mac or any Freddie Mac Host.

**4. Seller/Servicer responsibility**

The Seller/Servicer 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/Servicer's, Freddie Mac's and/or any Freddie Mac Host's Computer Systems; and
- b. Computer Contagions that enable unauthorized access to the Seller/Servicer'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/Service 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/Service's Electronic Signature; or



- 3. The Seller/Service's failure to comply with Freddie Mac's requirements in connection with conducting an Electronic Transaction with Freddie Mac; or
- 4. The Seller/Service's repudiation of the Seller/Service'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/Service's representations and warranties under Section 2.14(j)(2), with respect to any Record delivered by Seller/Service 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/Service'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/Service as a result of a Computer Contagion explicitly and directly transmitted by Freddie Mac.

**i. Method of notification (02/27/25)**

Freddie Mac will provide each Seller/Service 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/Service elects to deliver to Freddie Mac a Record identified in Section 2.14(j)(1) signed with an Electronic Signature, the Seller/Service 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 (12/12/24)~~ Freddie Mac Exclusionary List (07/01/25)**

The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

**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/Service providers can access the Exclusionary List under "Quick Links" on the Originate and Underwrite and Asset Management web pages.

**c. Use of the Exclusionary List (12/12/24) Use of the Exclusionary List (07/01/25)**

~~The Seller/Service provider 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/Service provider 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. The Seller/Service provider 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 or in Chapter 7 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/Service provider 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/Service provider may contact Freddie Mac via [elist\\_confirmation@FreddieMac.com](mailto:elist_confirmation@FreddieMac.com) regarding:

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

The Seller/Service provider must maintain evidence in the Mortgage File that the Seller/Service provider 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/Service provider.**

~~The Seller/Service provider must ensure that no individual or entity whose name is on the Exclusionary List is employed by or contracted to the Seller/Service provider in connection with the origination or servicing of Freddie Mac Mortgages, including the Seller/Service provider's own officers, directors, employees, and any third parties to whom origination or Servicing functions regarding Freddie Mac Mortgages are outsourced, as more particularly set forth below.~~

~~The Seller/Service provider must screen each individual or entity that has a substantive role in the origination or Servicing of a Freddie Mac Mortgage, which includes, without limitation, any individual or entity that: The Seller/Service provider must comply with the provisions of Chapter 7 with respect to the screening against the Exclusionary List of individuals and entities employed by or contracted to the Seller/Service provider for the purpose of working on any origination or servicing transactions involving Freddie Mac Mortgages.~~



- ~~• Has a substantive role in any production or 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 and/or performs custodial fund accounting for Freddie Mac Mortgages~~

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

- ~~A. Seller/Servicer must use the Exclusionary List to screen each applicable individual and entity in connection with the origination of a Mortgage and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File in accordance with the requirements set forth in the Guide and the Seller/Servicer must use the Exclusionary List to screen each applicable individual and entity that is a Borrower Transaction Party or a Third-Party Vendor in connection with the origination of a Mortgage and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File in accordance with the requirements set forth in the Guide and the Public Records Search Requirements. See also Section 2.28. See also Section 2.28 and Chapter 7.~~
- ~~B. Prior to final delivery of the Mortgage to Freddie Mac, the Seller must screen each of the following and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File:~~
- ~~• Broker/correspondent~~
  - ~~• 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)~~

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- ~~• Seller/Service’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) and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File.~~

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**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. 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 and in Chapter 7 in the Transfer of Ownership or in the underlying real estate transaction.~~

~~A. The Servicer must use the Exclusionary List to screen each applicable individual and entity involved in the Transfer of Ownership or in the underlying real estate transaction in accordance with requirements set forth in the Guide and the The Servicer must use the Exclusionary List to screen each applicable individual and entity that is a Borrower Transaction Party or a Third-Party Vendor involved in the Transfer of Ownership or in the underlying real estate transaction in accordance with requirements set forth in the Guide and the Public Records Search Requirements—See also Section 2.28. See also Section 2.28 and Chapter 7.~~

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~~B. Prior to the closing date of the Transfer of Ownership, the Servicer must screen each of the following and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File, if applicable for the particular transaction:~~

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- ~~• 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)~~

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- ~~• 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/Service'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~~ With respect to proposed Transfers of Ownership and Servicing-related transactions, Servicers must follow the procedures set forth in Section 43.28 if they determine there is a suspected or confirmed Exclusionary List match.

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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)~~ Process for placement on the Exclusionary List (07/01/25)

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~~ Financial Crimes or possible Financial Crimes
- 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 (12/12/24)~~ Waiver of Seller representations and warranties regarding Persons on the Exclusionary List (07/01/25)**

~~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 Multifamily Fraud 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 Multifamily Financial Crimes Mailbox.~~

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 (12/12/24)~~ Waiver of Servicer representations and warranties regarding the Exclusionary List (07/01/25)**

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 Multifamily Fraud~~ The Servicer must make such request to the Freddie Mac Multifamily Financial Crimes Mailbox.

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 (12/12/24)~~Reporting obligations of the Seller and Servicer (07/01/25)**

~~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 Multifamily Fraud.~~ 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 Multifamily Financial Crimes Mailbox.

**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 (12/12/24)~~Compliance and regulatory risk management (07/01/25)**

~~The changes to this Section 2.19, as announced in the June 13, 2024 Bulletin, are effective January 1, 2025.~~ The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

**a. Policies and procedures (01/01/25)**

The changes to this Section 2.19(a), as announced in the June 13, 2024 Bulletin, are effective January 1, 2025.



Each Seller/Servicer must adopt, maintain and administer written policies and procedures that address doing business in compliance with:

- Applicable laws, regulations and orders, including the fair lending and consumer protection laws and regulations listed in Section 5.7(a); and
- Freddie Mac requirements, including origination, underwriting, Servicing, asset management and investor reporting of multifamily Mortgages and Properties

Seller/Servicers must make their policies and procedures available to Freddie Mac upon request.

**1. Training**

Seller/Servicers must establish compliance training implementing the policies and procedures and a regular training schedule for staff.

The compliance training must be reviewed, and if applicable, updated at least annually to ensure it includes current, complete and accurate information for compliance with Freddie Mac requirements and applicable laws and regulations.

**2. Monitoring**

Seller/Servicers must review and assess at least annually the adequacy of their policies and procedures to ensure compliance with applicable laws and regulations and the Guide and their other Purchase and Servicing Documents.

**3. Non-compliance**

Seller/Servicers must notify Freddie Mac *Multifamily Counterparty Risk & Compliance* via email at [Multifamily\\_Eligibility@freddiemac.com](mailto:Multifamily_Eligibility@freddiemac.com) within five Business Days of the Seller/Servicer becoming aware of any non-compliant or potential non-compliant activity regarding any applicable law or Freddie Mac requirement that is conducted, or may be conducted, by or on behalf of the Seller/Servicer.

**b. ~~Chief Compliance Officer (04/04/25)~~Chief Compliance Officer (07/01/25)**

~~The changes to this Section 2.10(b), as announced in the June 13, 2024 Bulletin, are effective January 1, 2025.~~

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 Except as otherwise agreed in writing by Freddie Mac, the CCO must 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/Service 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(e) below)~~Financial Crimes and other Suspicious Activity (see Chapter 7)
- Business continuity and recovery (see Section 2.20)
- ~~Vendor risk management (see Section 2.26)~~Vendor risk management (see Section 2.27)
- Data security (see Section 2.26)
- Other compliance and regulatory matters (including Section 2.19(a) above (effective 01/01/25))

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

**~~c. Prevention, detection and reporting of fraud and other Suspicious Activity; Restricted Vendor List (12/12/24)~~**

~~1. Each Seller/Service 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/Service must take the following minimum steps:~~

- ~~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.)~~

~~2. It is also important for Seller/Services to know the parties with whom they do business. Each Seller/Service must approve, evaluate, and monitor appraisers and any third party or vendor to whom functions relating to origination or Servicing a Mortgage or REO are outsourced or assigned, and must consult the Multifamily Restricted Vendor List each such vendor. (See Sections 29.1(e), 29SBL 1(c), 60.4(c), 61.17(e) and 62.8(e)). The Multifamily Restricted Vendor List is made available to Seller/Services at mf.fmf.freddiemac.com the sole purpose of ensuring that an unacceptable third party or vendor does not perform services in connection with Multifamily Mortgage transactions and will constitute "Confidential Information" as defined in Section 2.8. Freddie Mac's acceptance of the engagement of any specific third party or vendor may be subject to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac's sole discretion. When applicable, Freddie~~

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## 2.20 Business continuity and recovery (12/12/24)

Additionally, 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 Continuity Plan training (12/12/24)**

The changes to this Section 2.20(b), as announced in the December 12, 2024 Bulletin, are effective April 1, 2025.

Seller/Service providers must require Business Continuity Plan training that is current in substance and reflects up-to-date continuity threats and restoration strategies which are consistent with industry best practices.

At a minimum, the training must provide details on roles and responsibilities for all users that are involved in executing the Business Continuity Plan, and in protecting Freddie Mac confidential information, potentially sensitive personal information and systems.

**c. Business Disruption notification requirements (12/12/24)**

In the event of a Business Disruption, the Seller/Service provider 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 a Security Incident, as defined in Section 2.26(c), the Seller/Service provider must follow the requirements in Section 2.26(c).

Business Disruption notification requirements	
The Seller/Service provider 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/Service provider'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





Business Disruption notification requirements	
The Seller/Service must...	
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/Service (07/01/14)

Freddie Mac reserves the right to send emails, including those regarding our systems, products, services, and events, to Seller/Service 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/Service may adjust their email preferences at any time by visiting the Multifamily News Subscription Center on mf.freddiemac.com.

2.22 Anti-money laundering compliance (12/12/24)Bank Secrecy Act compliance (07/01/25)

~~Freddie Mac requires Seller/Service 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/Service must, as permitted by law, notify the Multifamily Fraud Investigation Unit at MF\_Mortgage\_Fraud\_Reporting@freddiemac.com, accordance with Section 7.2, within seven Business Days of confirmation of any instances of the Seller/Service'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. The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.~~

a. Seller/Service subject to the Bank Secrecy Act (07/01/25)

Freddie Mac requires Seller/Service subject to 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.

b. Seller/Service not subject to the Bank Secrecy Act (07/01/25)

Freddie Mac requires Seller/Service that are not subject to the Bank Secrecy Act to establish and maintain a compliance program similar to that required by the Bank Secrecy Act to ensure sufficient controls are in place to prevent, identify and report mortgage fraud, money laundering activities, and other Financial Crimes and Suspicious Activity.

The compliance program should consist of the following:

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- Policies, procedures, and internal controls based on the Seller/Servicer's assessment of Financial Crimes risk, including fraud, money laundering and terrorist financing risks associated with its products and services (see Section 7.5(a))
- A Chief Compliance Officer responsible for ensuring that the program is implemented effectively, updated as necessary, and appropriate persons are educated and trained (see Section 2.19(b))
- On-going training of appropriate persons concerning their responsibilities under the program (see Section 7.2(e))
- Collection, identification, verification, and maintenance of ownership records for individuals who own 25% or more of a legal entity (whether direct or indirect)
- Independent testing to monitor and maintain an adequate program

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**c. Notifications of non-compliance (07/01/25)**

The Seller/Servicer must, as permitted by law, notify the Freddie Mac Multifamily Financial Crimes Mailbox within five Business Days of confirmation of any instances of the Seller/Servicer's own non-compliance or compliance failure related to (i) the Bank Secrecy Act or the requirements of this Section 2.22 (ii) the Money Laundering Control Act, or (iii) Title III of the USA PATRIOT Act, and (iv) all applicable implementing federal regulations.

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**2.23 Office of Foreign Assets Control (OFAC) compliance (08/15/24)Office of Foreign Assets Control (OFAC) compliance (07/01/25)**

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. The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

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 Lists. Seller/Servicer's compliance program must include written practices and procedures for conducting searches of the OFAC Lists including how to verify and address potential positive and positive matches on those lists.



~~It is the Seller/Service's responsibility to determine compliance with these OFAC requirements, and to verify that the names of any applicable individuals and entities do not appear on the most current SDN List or Consolidated Sanctions List in accordance with the requirements set forth in the Guide and the~~ It is the Seller/Service's responsibility to determine compliance with these OFAC requirements, and to verify that the names of any applicable individuals and entities do not appear on the most current OFAC Lists in accordance with the requirements set forth in the Guide and the Public Records Search Requirements. The Seller/Service must maintain evidence (including the date of the search) of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage or 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.~~ With respect to proposed Transfers of Ownership and Servicing-related transactions, Servicers must 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)~~ Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) (07/01/25)**

The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

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/Service's 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.~~ Freddie Mac requires Seller/Service's to establish and maintain written procedures to ensure they do not enter into or extend any contract, agreement, or financial or business relationship with any Named Parties for any purpose in connection with a Freddie Mac Mortgage, subject to any conditions or exclusions set forth in each Named Party's final suspension order.

Seller/Service's 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/Service's responsibility to verify that each applicable individual and entity is not a Named Party on the FHFA SCP List in accordance with the requirements set forth in the Guide



~~and the Public Records Search Requirements. The Seller/Servicer must maintain evidence (including the date the search was conducted) of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage or any Servicing-related transaction, as applicable.~~ The Seller/Servicer must maintain evidence (including the date the search was conducted) of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage or any Servicing-related transaction, as applicable.

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

**2.25 Equity Conflicts of Interest (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:~~ Such Employee-Level Owner may hold up to five 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.~~ If there are multiple Employee-Level Owners with equity interests in the same Borrower, the five 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/Service

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/Service, 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/Service-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/Service 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/Service-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/Service-Level Owner of the equity interest is a Guarantor of the applicable Mortgage regardless of ownership level
  - (iv) The Seller/Service or its affiliate has an equity interest in the form of mezzanine debt, a Preferred Equity Contribution or Subordinate Financing
  - (v) The Seller/Service 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/Service in the applicable Mortgage has an equity interest in the Property or Borrower
- (e) A Transfer of Servicing will be required on or prior to Freddie Mac's purchase of the Mortgage if a Seller/Service-Level Owner holds 25 percent or more of the total direct and indirect interest in the applicable Borrower. Transfer of Servicing is not required for LIHTC transactions with the Equity Conflicts of Interest described in Section 2.25(c).
- (f) Seller/Service, or an affiliate of Seller/Service, 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 (12/12/24)**

The changes to this Section 2.26, as announced in the December 12, 2024 Bulletin, are effective April 1, 2025.

This section contains the minimum information security program requirements Seller/Servicers and Material Vendors that present information security risk to Freddie Mac (i.e., those that have access to Freddie Mac data or systems) 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/or 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/Servicers are strongly encouraged to review this guidance.

Seller/Servicers 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/Servicer 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 (12/12/24)**

The changes to this Section 2.26(a), as announced in the December 12, 2024 Bulletin, are effective April 1, 2025.

**(i) Information security program**

Seller/Servicers and Material Vendors that present information security risk to Freddie Mac (i.e., those that have access to Freddie Mac data or systems) 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/Servicers 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/Servicers 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/Servicers must make their information security program policies and procedures available to Freddie Mac upon request.

**(ii) Human resources security**

Seller/Servicers must meet the following human resources security requirements:

- ~~Pre-employment screening: Each Seller/Servicer 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~~  
**Pre-employment screening:** Each Seller/Servicer 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/Service~~**Confidentiality and acceptable use:** Before granting access to Freddie Mac information or systems, a Seller/Service  
~~er 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.~~  
er 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/Service must provide information security awareness training to all employees of its organization, and, where relevant, contractors and other third-party users of the Seller/Service's information technology. The 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/Service, 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/Service 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
- 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

**(iv) Communications and operations management**

The Seller/Service 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 and be consistent with industry best practices (e.g., those set forth by FFIIEC or NIST), whichever is more stringent.

**(v) Data transmission and data loss prevention**

The Seller/Service must:





- ~~Maintain 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.~~ Maintain 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.
- Ensure adequate and up-to-date data loss prevention (DLP) software is used and a corresponding management process is in place 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.
- Not transmit, and have measures in place to prevent transmission, to Freddie Mac system(s), through an application programming interface or otherwise, any Malicious Code. "Malicious Code" means software or firmware intended to perform an unauthorized process that may have adverse impacts on the confidentiality, integrity, or availability of an information system (including, without limitation, data in transit), such as a "virus," "time bomb," "worm," "trojan horse," or other code-based entity that infects a host; ransomware, spyware and certain forms of adware are also examples of Malicious Code.

**(vi) Anti-virus program/updates**

The Seller/Servicer 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.

**(vii) Network security**

The Seller/Servicer 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

**(viii) Mobile computing**



The Seller/Service 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

**(ix) Wireless networks**

The Seller/Service must control, secure and monitor wireless access points. In addition, a Seller/Service 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

**(x) Vulnerability management and penetration testing**

The Seller/Service 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 must:

- Employ a qualified and independent third party to conduct penetration testing on system or system components at least annually. At a minimum, the executive summary of the penetration testing report on Freddie Mac-related services and data must be made available to Freddie Mac for review upon request by Freddie Mac.
- ~~Have written vulnerability assessment requirements that are periodically reviewed and up-to-date~~Have written vulnerability assessment requirements that are periodically reviewed and up-to-date.
- ~~Prioritize and remediate identified vulnerabilities~~Prioritize and remediate identified vulnerabilities.
- ~~Maintain a record of all identified vulnerabilities and their status and a plan for remediation~~Maintain a record of all identified vulnerabilities and their status and a plan for remediation.



**(xi) Configuration and patch management**

The Seller/Service 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 an intrusion detection system (IDS) and/or an intrusion prevention system (IPS), 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

**(xii) Auditing, logging and monitoring**

The Seller/Service 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~~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 should ensure an independent security assessment of the control environment is performed not less than annually and upon the occurrence of any Security Incident or unauthorized use or access to potentially sensitive personal information (e.g., Social Security Numbers, individual names listed with their addresses, etc.).

**(xiii) Software and application development life cycle (SDLC)**

If the Seller/Service develops applications or software that either store, access, process or transmit Freddie Mac information, the Seller/Service 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

**(xiv) Treatment of personal information and Data Encryption**

**(i) Treatment of sensitive information**

The Seller/Service must limit the storage, use and transmission of potentially sensitive personal information, including, without limitation, any information covered by state or federal data privacy laws, to an as needed basis. The Seller/Service 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 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 information
- Deploy cryptography 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
- Generate, exchange, store, use, replace and delete cryptographic keys in a timely manner to prevent unauthorized access to those keys
- Use Encryption mechanisms on portable end-user devices to protect data, including potentially sensitive personal information, if the hardware (e.g., laptop, mobile device) is lost or stolen

**(xv) Incident management**

The Seller/Service must:



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

The plan must:

- Be tested at a pre-defined periodic frequency, or more frequently, if prudent, given the circumstances
- Be reviewed and updated at least annually
- Periodically test the effectiveness of the incident response capabilities:
  - Annually, unless formally activated, audit the incident response plan. The audit may be performed by (i) an internal independent function within the organization, or (ii) an external entity that is qualified to conduct such audits.
  - Evaluate lessons learned from all Security Incidents
  - Implement or identify an existing classification scale for Security Incidents to quantify the severity of the Security Incident
  - Have documented action plans for remediation of Security Incidents having high severity ratings

**b. Access control (12/12/24)**

The changes to this Section 2.26(b), as announced in the December 12, 2024 Bulletin, are effective April 1, 2025.

**(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 information 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 information, etc.)~~ Define and enforce requirements for multi-factor authentication where applicable (privileged sessions, remote connectivity, applications housing personal information, etc.).
- Manage Seller/Servicer user accounts for Freddie Mac systems in accordance with the Guide and its applicable Purchase and Servicing Documents. Seller/Servicers 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/Servicers 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/Servicers 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/Servicers 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 change timelines, and storage of passwords outside of secured password safes.

**(iv) Asset management**

Seller/Service providers 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**

When a Seller/Service provider consumes or provides cloud services that store, process, access or transmit Freddie Mac confidential information or any potentially sensitive personal information or connect to any system, the Seller/Service provider must maintain a formal cloud computing policy.

The policy must address:

- **Due diligence:** Specify appropriate due diligence responsibilities and ongoing oversight and monitoring of the cloud service providers' security
- **System vulnerabilities:** Articulate processes and responsibilities to securely configure cloud systems, provision access, and log and monitor the Freddie Mac information assets residing in or being processed in the cloud environment
- **Identity and access management:** Define roles for cloud access management, limiting account privileges, implementing multifactor authentication, frequently updating and reviewing account access, monitoring activity, and requiring privileged users to have separate usernames and passwords
- **Security controls for sensitive data:** Define responsibilities for implementing controls to safeguard sensitive data, including sensitive personal information, and limit a malicious actor's ability to exploit data during a breach

**(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 (12/12/24)**

The changes to this Section 2.26(c), as announced in the December 12, 2024 Bulletin, are effective April 1, 2025.

The requirements of this Section 2.26(c) apply when:



- The Seller/Service knows or reasonably believes that there has been any unauthorized access to, or acquisition of, data or computing resources to Freddie Mac systems, Seller/Service systems, including any parent or subsidiary company's system, 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"], or
- From the circumstances and available information, a reasonable information security professional could conclude that there has been a Security Incident

**1. Notification to Freddie Mac**

Immediately, and in no event later than 36 hours after the Security Incident is discovered, the Seller/Service must notify Freddie Mac of the Security Incident by completing the Freddie Mac Incident Intake Form.

If the Seller/Service is unable to access the form, notification may be done via email at [Information\\_Security@freddiemac.com](mailto:Information_Security@freddiemac.com), [Privacy\\_Incident\\_Management@freddiemac.com](mailto:Privacy_Incident_Management@freddiemac.com) and [MF\\_Data\\_Security\\_and\\_Privacy@freddiemac.com](mailto:MF_Data_Security_and_Privacy@freddiemac.com) (ensure to include all email addresses) or by calling (571) 382-3333.

**2. Obligation to investigate and remediate**

The Seller/Service must promptly investigate, mitigate and remediate the Security Incident at the Seller/Service's expense, including identifying all Freddie Mac confidential information or any potentially sensitive personal information affected by the Security Incident and preventing the continuation and recurrence of the Security Incident.

**3. Information to be provided to Freddie Mac**

After notifying Freddie Mac and providing initial information about the Security Incident, the Seller/Service must continue to update Freddie Mac as the investigation progresses, and as Freddie Mac may reasonably request, with interim status updates, including new details learned and progress made since the last update, until Freddie Mac is satisfied that there has been compliance with applicable laws and the event giving rise to the Security Incident is fully resolved, remediated and closed.

All information should be sent to the location designated by Freddie Mac.

The information to be provided by the Seller/Service includes:

**(i) Technical information**

- a. Related internal and external investigations





- b. Risk factors
- c. Causation factors
- d. Technical indicators of compromise (e-mail addresses, hash values, IP addresses, malware code, vector of compromise, etc.)
- e. Tactics, techniques, and procedures associated with the Security Incident
- f. Details surrounding the attack methodology
- g. Timing of the Security Incident
- h. Technical and forensic reports, if available
- i. Other information that Freddie Mac may reasonably request to assist Freddie Mac in evaluating the potential or actual effect of the Security Incident on Freddie Mac's infrastructure and impacted Borrowers or employees
- j. Actions that are being taken to remediate the Security Incident and its cause, and to protect individuals, business assets, and Freddie Mac confidential information and any potentially sensitive personal information
- k. Remediation actions or workarounds or corrections that resolved the Security Incident and restored service to its best quality
- l. Eradication and recovery steps taken
- m. Postmortem and similar after-action reports generated
- n. Other details and information concerning the Security Incident
- o. Final incident closure report

**(ii) Freddie Mac and any potentially sensitive personal information**

- a. Whether, and if so the extent to which, Freddie Mac confidential information or any potentially sensitive personal information was accessed, taken, or exposed
- b. The nature and details of the information accessed, taken, or exposed
- c. All facts relevant to actual or potential misuse of the information, including the likelihood of misuse and, if applicable, how the information was misused
- d. Whether there is any cyber or other insurance coverage for expenses related to the Security Incident
- e. Potential damage estimates associated with the Security Incident



**(iii) Compliance information**

- a. Actions that are being taken to comply with applicable laws
- b. If requested by Freddie Mac, a Certificate of Compliance (in form and substance requested by Freddie Mac evidencing, among other things, that the Seller/Service has, with respect to the Security Incident, complied with applicable federal, State, and local data breach notification laws and regulations and all Purchase and Servicing Documents, including the Guide)
- c. Copies of any communications to any impacted individuals, State and federal agencies and offices, regulators, credit reporting agencies or others

**4. Compliance with laws**

The Seller/Service must comply in a timely manner with applicable laws. Where a Security Incident creates an obligation to notify impacted individuals, the Seller/Service will first give Freddie Mac the opportunity to review and comment on any notification that in any way refers to or identifies Freddie Mac directly or indirectly.

The Seller/Service must comply with applicable laws that require notification to federal or State authorities. Promptly following a request by Freddie Mac, the Seller/Service will provide Freddie Mac and its designees all information and assistance needed to enable Freddie Mac to evaluate the need for, and to timely make, any notification it deems necessary or advisable concerning the Security Incident.

**5. Limitation, restriction or termination of system access**

Whether in connection with the actual or suspected presence of Malicious Code, a Security Incident, or otherwise, Freddie Mac reserves the right, in its sole and absolute discretion, at any time with or without notice, to limit, restrict and/or terminate a Seller/Service's access to any system(s), temporarily or permanently.

If, and when, Freddie Mac determines that restoring any level of system access to a Seller/Service is appropriate, as a condition to such access restoration, Seller/Service must provide to Freddie Mac upon request: (i) such assurances and information as Freddie Mac may deem necessary, in its sole and absolute discretion; and (ii) an attestation, executed by a duly authorized corporate officer, of the adequacy of any applicable containment, eradication or remediation of any vulnerability related to such Malicious Code, Security Incident, and the eradication of any threat actor from the Seller/Service's environment or any system or technology used by the Seller/Service (whether or not such system or technology is developed by the Seller/Service or by a third party and used by the Seller/Service).

Freddie Mac will have no liability to any Seller/Service or third party arising out of, related to, or in connection with Freddie Mac's limitation, restriction, or termination of a Seller/Service's access to any system(s).



**2.27 Vendor risk management (10/19/23)**

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

**2.28 ~~Public Records Searches (08/15/24)~~Public Records Searches (04/22/25)**

~~Seller/Serviceirs must conduct the public records searches on applicable individuals and entities in accordance with the requirements set forth in the Guide, including in Chapters 2, 21, 29, 29SBL, 41, 41SBL, 43, 55 and 55SBL and the Seller/Serviceirs must conduct the public records searches on applicable individuals and entities in accordance with the requirements set forth in the Guide, including in Chapters 2, 7, 21, 29, 41, 41SBL, 43, 55 and 55SBL and the~~ Public Records Search Requirements posted on [mf.freddiemac.com](https://mf.freddiemac.com) (collectively, the “Public Records Searches”) in the origination of a Mortgage or any Servicing-related transaction, as applicable.

**2.29 Document retention and destruction (12/12/24)**

The requirements of this Section 2.29 are effective April 1, 2025.

Seller/Serviceirs must have written data retention and destruction policies and procedures which contain minimum requirements to comply with applicable corporate, regulatory and legal standards. The policies and procedures must include the following:

- Identification or definition of the electronic or other information which are subject to the policies, including how to handle electronic or other information that is, or may be, subject to a legal or litigation-related hold
- A data storage, retention and destruction schedule
- Clearly defined criteria for destruction of electronic or other information, regardless of the form in which the information is stored
- Destruction methodology, including a process for logging and certifying such destruction has been completed

When electronic or other information is destroyed in accordance with Seller/Serviceir’s corporate policies in the ordinary course, or at Freddie Mac’s direction, such information must be rendered unreadable and incapable of being re-created. Paper records must be properly and securely destroyed, and Seller/Serviceir must retain evidence of destruction. Upon request, Seller/Serviceirs will provide to Freddie Mac certificates of destruction or other evidence demonstrating the fact, time and manner of destruction, be it electronic, paper, hard drive or other



media, which contained the destroyed information. Such certification or evidence is in addition to any other obligations that Seller/Serviceer may have with respect to the destroyed information.

**2.30 Use of artificial intelligence and machine learning (12/12/24)**

The requirements of this Section 2.30 are effective April 1, 2025.

**a. Compliance with applicable law (12/12/24)**

The requirements of this Section 2.30(a) are effective April 1, 2025.

Seller/Serviceers that use artificial intelligence and/or machine learning (together, “AI/ML”) in connection with the origination of Mortgages sold to Freddie Mac or Servicing Mortgages on behalf of Freddie Mac must ensure compliance with applicable law and their Servicing and Purchase Documents. In addition, such use is conditioned upon:

- Seller/Serviceer’s development, implementation and maintenance of policies and procedures for the use of AI/ML, which must at a minimum:
  - Be communicated to appropriate personnel who have job responsibility in areas that use AI/ML; and
  - Have an owner(s) that implements, maintains and reviews the policies and procedures at least annually to ensure they comply with applicable law and consistently reflect industry best practices
- Upon request by Freddie Mac, Seller/Serviceer’s prompt disclosure of the types of AI/ML used, the purpose and manner for such use, safeguards to mitigate risks related to the use of AI/ML, and such other information as Freddie Mac may require

**b. Indemnification (12/12/24)**

The requirements of this Section 2.30(b) are effective April 1, 2025.

Seller/Serviceer agrees to indemnify Freddie Mac and its directors, officers, employees, agents, successors and assigns, and to hold each harmless from and against any and all liabilities, losses, claims, actions, damages, including, but not limited to, indirect, incidental, special or consequential damages, whether foreseeable or not, judgments, costs and expenses, including reasonable attorneys’ fees, arising directly or indirectly out of or relating to Seller/Serviceer’s use of AI/ML. Freddie Mac shall provide the Seller/Serviceer with notice of any such claim after it comes to Freddie Mac’s attention.

<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:21:17 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 02 - General FM Policies GB-02-27-25.docx	
<b>Modified filename:</b> 02 - General FM Policies GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	119
<del>Delete</del>	210
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<del>Table Delete</del>	0
<u>Table moves to</u>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	329

# Multifamily Seller/Service Guide

## Chapter 6SBL

### SBL Legal Services for Mortgage Origination and Servicing



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- c. Scope of Servicer and Single Counsel review (06/30/16)
- d. Payment of Single Counsel fees (06/30/16)

6SBL.15 Reserved (06/30/16)



**6SBL.1 Freddie Mac reliance on Single Counsel (02/27/25)**

Although many decisions in connection with the structuring of an SBL Mortgage or a Transfer of Ownership or other Special Servicing Request for an SBL Mortgage may require Freddie Mac's approval, Freddie Mac, in making such decisions, may rely on the expertise of the Seller/Servicer and Single Counsel regarding legal matters. The term "Single Counsel" may refer collectively to the law firm or individually to the attorney representing Freddie Mac and a Seller/Servicer in a Mortgage transaction, as applicable.

**6SBL.2 Limited joint representation for origination, purchase, delivery and Servicing (02/27/25)**

Single Counsel will represent Freddie Mac and Seller/Servicers jointly in the origination, delivery and purchase of SBL Mortgages. Additionally, Single Counsel will jointly represent Freddie Mac and Seller/Servicers in servicing matters related to those SBL Mortgages prior to securitization by Freddie Mac. Freddie Mac and Seller/Servicer must agree as to Single Counsel. Freddie Mac, Seller/Servicer and each Single Counsel law firm must enter into a joint representation letter.

**6SBL.3 Single Counsel selection and notifications (02/27/25)**

Seller/Servicer must select Single Counsel from a list of Single Counsel law firms that Freddie Mac will maintain. For origination of SBL Mortgages, Seller must select Single Counsel from the SBL origination list ("SBL Origination Single Counsel List") and provide Freddie Mac notice of its selection on or prior to submission of the full underwriting package via an email to the applicable SBL Underwriter or Underwriting team. For the servicing of SBL Mortgages, Freddie Mac may select Single Counsel from the SBL servicing list provided to SBL Servicers ("SBL Servicing Single Counsel List").

Freddie Mac may remove a Single Counsel law firm from the SBL Origination Single Counsel List and/or the SBL Servicing Single Counsel List at any time in its sole discretion. If Freddie Mac removes a law firm from either List, Freddie Mac will notify the Seller/Servicers who have engaged such law firm.

Single Counsel must notify an SBL Freddie Mac SBL *Multifamily Attorney* if Single Counsel elects to cease being actively engaged in originating or servicing SBL Mortgage loans. Additionally, Single Counsel must notify an SBL Freddie Mac SBL *Multifamily Attorney* if any individual identified on the SBL Origination Single Counsel List and/or the SBL Servicing Single Counsel List ceases to be actively engaged in originating or servicing SBL Mortgage loans with such Single Counsel law firm.

**6SBL.4 Single Counsel legal fees (02/27/2504/22/25)**

Subject to the requirements of this Section 6SBL.4, each Seller/Servicer and Single Counsel will determine the amount of legal fees to be paid to Single Counsel for an SBL Mortgage transaction. However, Seller/Servicer and Single Counsel must receive a Freddie Mac SBL *Multifamily Attorney's* prior written permission before:

- Incurring any legal fees that Seller/Servicer would like Freddie Mac to pay for or to split with Seller/Servicer.





- ~~The Seller/Servicer requests or requires Single Counsel to waive or discount~~Waiving or discounting any portion of the legal fees or expenses to be paid to Single Counsel in connection with the origination, delivery and purchase of an SBL Mortgage as set forth under the then-current legal fee schedule (to include any “add-on” fees identified in such fee schedule) among Freddie Mac, Seller/Servicer and Single Counsel, irrespective of whether such waiver or discount has been requested or required by Seller/Servicer or initiated solely by Single Counsel. Any such request must be submitted by Single Counsel to a Freddie Mac SBL Multifamily Attorney in writing and must include an explanation for such request and a recommendation for the amount of legal fees or expenses to be waived or discounted. The Freddie Mac SBL Multifamily Attorney will provide Single Counsel with written notice of Freddie Mac’s decision with respect to such request. Notwithstanding the foregoing, approval of the waiver or discount of fees does not apply when the SBL Mortgage transaction does not close and the legal fees or expenses to be paid to Single Counsel as set forth under the then-current legal fee schedule are reduced by Single Counsel to the actual time value incurred by Single Counsel for such transaction.

The Seller/Servicer may require the Borrower to pay Single Counsel’s fees and expenses for the origination, delivery and purchase of an SBL Mortgage; provided, however, that each Seller/Servicer is responsible for ensuring the payment of Single Counsel’s fees and expenses incurred for these transactions without regard to consummation of the proposed transaction.

**6SBL.5 Additional counsel (06/30/16)**

If Single Counsel is not licensed to practice law in the State in which the Property is located or lacks experience with the laws of that State, Single Counsel must have available local counsel who is both licensed and experienced in that State. The Seller/Servicer or Single Counsel must consult with that local counsel as necessary to satisfy each of the following requirements:

- In accordance with Section 6SBL.7 or Section 6SBL.8, identify for Freddie Mac any legal issues affecting the proposed SBL Mortgage that arise under the laws of that State
- Respond in accordance with Section 6SBL.9 to any questions Freddie Mac might have about those issues

The Seller/Servicer and Single Counsel, unless instructed otherwise, need not seek confirmation from local counsel that the SBL Loan Documents (as they appear at [mf.freddie.mac.com/lenders/legal](http://mf.freddie.mac.com/lenders/legal)) are enforceable under the laws of that State, but must consult local counsel to satisfy each of the following requirements:

- In accordance with Section 6SBL.10, determine whether enforceability will be affected adversely by any negotiated changes to the SBL Loan Documents or by the structure of the Borrower or the transaction
- Identify whether, since the issue date of each SBL Loan Document, the law of that State has changed in a way that would adversely affect enforceability of that document

If Single Counsel lacks expertise regarding special features of the transaction, Single Counsel must have available special counsel who has the necessary expertise. The Seller/Servicer and Single Counsel must consult that special counsel as necessary to satisfy each of the following requirements:



- Identify for Freddie Mac (in accordance with Section 6SBL.7 or Section 6SBL.8) any legal issues affecting the proposed SBL Mortgage that arise from those features of the transaction
- Respond in accordance with Section 6SBL.9 to any questions Freddie Mac may have about those issues

Both the Seller/Servicer and Single Counsel may use paralegals to perform appropriate tasks if the paralegals are supervised by an experienced attorney and their written work product is reviewed by that attorney before being submitted to Freddie Mac. An attorney, rather than a paralegal, must conduct the legal aspects of any negotiations with a Borrower regarding transaction structure or the content of documents.

**6SBL.6 Availability of Single Counsel (10/12/17)**

For each SBL Mortgage that it sells to Freddie Mac, the Seller/Servicer must have Single Counsel available at all times. This availability must continue from and after the commencement of consideration of the proposed transaction (including before Freddie Mac's issuance of a Letter of Commitment). Freddie Mac may need Single Counsel to assist Freddie Mac with the structuring and negotiation of the proposed transaction. Among other things, Single Counsel must be available to satisfy each of the following requirements:

- Participate in discussions about the proposed structure of the Borrower or transferee and of the transaction
- Identify legal issues presented by nonstandard features of the proposed transaction (see Sections 6SBL.7 and 6SBL.8)
- Respond to Freddie Mac's questions concerning legal issues (see Section 6SBL.9)
- Provide analysis of certain legal documents affecting the Property (see Section 6SBL.10), if requested
- Participate in and assist Freddie Mac with any negotiations with the Borrower or transferee (see Section 6SBL.11)

**6SBL.7 Preliminary legal analysis and preliminary legal issues memorandum (PLIM) (10/12/17)**

Based on the information available to the Seller/Servicer and Single Counsel, Single Counsel must perform a legal analysis of all legal risks or issues presented by the characteristics of a proposed transaction ("nonstandard features or provisions"), including issues that arise under the laws of the State in which the Property is located.

Single Counsel must bring to Freddie Mac's attention all of the following nonstandard features or provisions (also known as a "transaction legal issue"), along with the potential impact of each on the proposed or existing SBL Mortgage and any associated risks to Freddie Mac:

1. Those that are not contemplated by the Guide, or, for a Transfer of Ownership or other Special Servicing Request, were not contemplated by the original SBL Loan Documents, and that, unless addressed in the transaction structure or in the legal documents could result in



- any of the following:
- Materially limit document enforceability.
  - Materially impede foreclosure.
  - Following foreclosure, result in 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.
  - Materially increase the risks that would result from the Borrower or a guarantor becoming the subject of a bankruptcy or insolvency proceeding.
2. Those that:
- Do not satisfy the requirements of Freddie Mac, are not generally accepted by Ratings Agencies or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with securitization.
  - Could result in an Exception to the SBL Seller/Servicer Representations and Warranties.
3. For a Transfer of Ownership or other Special Servicing Request, any nonstandard features or provisions that materially change management or control of the Borrower.

A preliminary legal issues memorandum (PLIM) detailing the transaction legal issues is only required to be delivered to Freddie Mac (i) for Transfers of Ownership, (ii) certain other Special Servicing Requests as specified in the applicable provisions of this Guide, or (iii) when otherwise requested by Freddie Mac. For Transfers of Ownership or other Special Servicing Requests, the PLIM must be prepared using the most current applicable version of the Preliminary Legal Issues Memorandum Form – Servicing available at [mf.freddie.mac.com/lenders/legal](http://mf.freddie.mac.com/lenders/legal).

To assist Single Counsel, a list of examples of transaction legal issues is available at [mf.freddie.mac.com/lenders/legal](http://mf.freddie.mac.com/lenders/legal) and as part of the Preliminary Legal Issues Memorandum Form – Servicing.

- a. **Reserved (06/30/16)**
- b. **Reserved (06/30/16)**
- c. **Disclosure of information by Seller/Servicer (06/30/16)**

The Seller/Servicer must provide Single Counsel with all pertinent information about the proposed transaction then in the possession of the Seller/Servicer in order to enable Single Counsel to consider such issues and, if required, to prepare the PLIM.



**d. Delivery of the PLIM to Freddie Mac (when requested) (06/30/16)**

When Freddie Mac requests a PLIM on a particular transaction legal issue, the Seller/Servicer or Single Counsel must do each of the following:

- Identify the transaction legal issue being addressed by the PLIM with specificity
- Deliver the PLIM electronically to DMS
- Email the PLIM to the *Multifamily Small Balance Loan Team* and applicable Freddie Mac *Multifamily Attorney*
- Include the PLIM in the underwriting package and in the Final Delivery Package

**e. PLIM for Servicing requests (06/30/16)**

If the application is for the approval of a Transfer of Ownership or other Special Servicing Request, the PLIM must include all of the information required by the most current version of the Preliminary Legal Issues Memorandum Form – Servicing available at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal).

**f. Freddie Mac request for additional analysis or information (06/30/16)**

After considering Single Counsel's recommendations, Freddie Mac may request that Single Counsel provide further information or analysis (in writing, if required) with regard to any of the identified transaction legal issues.

**g. PLIM not a legal opinion (06/30/16)**

Freddie Mac does not consider the PLIM to be a legal opinion.

**h. Title and UCC matters (06/30/16)**

A title search and Uniform Commercial Code (UCC) search are not required to be completed before the PLIM is prepared, but Single Counsel must identify any transaction legal issues arising from title or UCC matters of which the Seller/Servicer or Single Counsel have actual knowledge at that time.

**i. Reserved (06/30/16)**

**j. Reserved (05/05/17)**

**k. Reserved (06/30/16)**



**I. Notices to third parties of origination of SBL Mortgage and assignment to Freddie Mac (06/30/16)**

Single Counsel must analyze whether, upon the origination of the SBL Mortgage by Seller and/or the subsequent assignment of the SBL Mortgage to Freddie Mac and/or the subsequent assignment of the SBL Mortgage to a subsequent party in connection with a Securitization, written notice to a third party under any document, instrument or agreement, recorded or unrecorded, affecting the Property would be required and/or generally advisable, including for the purpose of entitling the Seller and/or Freddie Mac and/or such subsequent party, each in its capacity as a mortgagee of the Property, to any legal rights under such documents, instruments or agreements. Examples of such documents that Single Counsel must review to make this determination include ground leases, commercial leases, condominium declarations, reciprocal easement agreements, shared use agreements, homeowners' association documents, subordinate loan documents, and HAP contracts.

**6SBL.8 Identification of legal issues as they arise (06/30/16)**

If, during work on a proposed SBL Mortgage or Transfer of Ownership or other Special Servicing Request, Single Counsel becomes aware of any transaction legal issues that have not previously been identified to Freddie Mac, Single Counsel must identify such issues to Freddie Mac and briefly describe the possible impact of each such issue on the proposed transaction.

Freddie Mac may request that Single Counsel provide further information or analysis with regard to any such additional transaction legal issue.

**6SBL.9 Freddie Mac legal questions (06/30/16)**

Single Counsel must provide any additional information that Freddie Mac may request regarding any transaction legal issue, the substance of the law that applies to the proposed transaction, the practical results of applying that law or alternatives for mitigating risks arising from that law.

**6SBL.10 Document analysis by Single Counsel (~~10/12/17~~04/22/25)**

If the Guide, the Letter of Commitment, the Approval Letter for a Transfer of Ownership or other Special Servicing Request requires that Freddie Mac approve a legal document affecting the Property, the Borrower or the SBL Mortgage, or if Freddie Mac requests further written information about or analysis of a document, then the Seller/Servicer or Single Counsel must submit such a document to Freddie Mac.

Delivery of a document to Freddie Mac does not relieve the Seller/Servicer of its obligation to provide a document analysis or of its responsibility for the accuracy of any such analysis.

Single Counsel must review the document and bring to the attention of Freddie Mac the following:

- Whether the document contains any provisions that do not satisfy the general requirements of Freddie Mac, are not generally accepted by Rating Agencies, or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with a securitization



- Any provision that would result in an Exception to the SBL Seller/Service Representations and Warranties and provide a proposed Exception to be set forth in the Letter of Commitment
- The parties to the document (and their relationship to the Borrower, where applicable)
- A summary of the document in enough detail that Freddie Mac need not read the document itself
- If the document departs from local law, generally accepted local practice or any applicable standards in the Guide
- The advantages and disadvantages of approving the document
- Options for mitigating any such disadvantages

Single Counsel must provide Freddie Mac with the degree of detail that a prudent mortgage lender originating the SBL Mortgage for its own portfolio would need in order to make an informed decision about the document. Based on the information that Single Counsel brings to Freddie Mac's attention, Freddie Mac will determine whether or not Single Counsel must deliver a written analysis with respect to the document or one or more issues in connection with the document. If a document contains provisions that are either so important or so difficult to analyze that Single Counsel believes Freddie Mac's attorneys should read those provisions themselves, rather than rely solely on the analysis, Single Counsel must provide a written analysis that identifies such provisions and their significance. If a written analysis is required under this Section 6SBL.10, Single Counsel must send the document and the analysis to the applicable Freddie Mac *Multifamily Attorney*.

If a written analysis is required to be delivered to a Freddie Mac *Multifamily Attorney*, Single Counsel may prepare each document analysis on the assumption that the individuals reading and relying upon it will be Freddie Mac's attorneys; and, therefore, the document analysis need not be written in a manner that would be understandable by non-attorneys. A document analysis may omit analysis of sections that have no relevance to the Property or the proposed transaction if the document analysis identifies the applicable sections and notes why they have no application. For example, an analysis of restrictive covenants for a planned unit development in which a property is located might note that specified sections of the document contain architectural restrictions applicable only to single family homes and omit any analysis of those inapplicable restrictions.

Documents for which Freddie Mac may require written document analysis include

- Ground leases (See Chapter 30 for the required format of ground lease documentation.)
- Subordinate Financing documents
- Preferred equity structures
- Merger agreements
- Any other document for which Freddie Mac requests an analysis



No written document analysis is required for:

- An SBL Loan Document
- A title insurance commitment or policy

~~• A document affecting title that falls within one of the safe harbors stated in Section 29SBL.2, unless Freddie Mac specifically requests such an analysis~~

Each document analysis required pursuant to this section must be updated to include all information later conveyed to Freddie Mac and all written analyses must be included in the SBL Final Delivery Package along with copies of the documents that are analyzed.

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**6SBL.11 Negotiation of legal documents (06/30/16)**

In general, the SBL Purchase Product is not intended to accommodate negotiations of the SBL Loan Documents. For any SBL Mortgage, if the Borrower requests permission to make one or more changes in an SBL Loan Document (including an Assumption Agreement), the Seller/Servicer and Single Counsel must

- Identify the advantages and disadvantages of granting each request
- Identify options for mitigating any such disadvantages
- Explain any feature of local law from which the need for a change arises or that has a material impact on a requested change
- Identify and explain whether such change generally satisfies the requirements of Freddie Mac, is generally accepted by the Ratings Agencies or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with a securitization
- Identify any change that would result in an Exception to the SBL Seller/Servicer Representations and Warranties and provide the wording of the proposed Exception to be set forth in the Letter of Commitment

Freddie Mac may charge a fee to the Seller/Servicer for any legal work its attorneys must perform in responding to such requests. The Seller/Servicer may require that the Borrower reimburse it for any such fee.

**6SBL.12 Reserved (06/30/16)**

**6SBL.13 SBL Mortgages purchased by Freddie Mac (06/27/19)**

**a. Attorney review requirements (06/30/16)**

In connection with each SBL Mortgage submitted to Freddie Mac for purchase, Single Counsel must



- Perform the tasks and provide the assistance described in this chapter, and
- Prepare and/or review all legal documents.

**b. Documents to be reviewed (06/27/19)**

The documents that Single Counsel must review or prepare include the following items, as applicable, together with all applicable exhibits, attachments and amendments:

1. Note
2. Security Instrument
3. Guaranty
4. Loan Agreement
5. Financing statements
6. Any other legal document required by the Letter of Commitment or executed in connection with the loan
7. Title insurance commitment and/or policy
8. Documents cited as exceptions in Schedule B of the title insurance commitment and/or policy
9. Organizational documents of each entity identified in Section 9SBL.7
10. If required by the Commitment, opinion of the Borrower's and/or guarantor's legal counsel

The Servicer must not obtain an Assignment of Management Agreement and Subordination of Management Fees for loans purchased under the Freddie Mac Small Balance Loan Program.

**6SBL.14 Transfers of Ownership (06/27/19)**

**a. Attorney review requirements (06/30/16)**

In connection with any Transfer of Ownership or other Special Servicing Request, Single Counsel must do each of the following:

- Perform the tasks and provide the assistance described in Sections 6SBL.6 through 6SBL.11.
- Prepare and/or review all legal documents in connection with the proposed Transfer of Ownership or other Special Servicing Request in accordance with the approval letter.





**b. Documents to be reviewed (06/27/19)**

The documents that Single Counsel must review or prepare include the following items, as applicable, together with all applicable exhibits, attachments and amendments:

1. Freddie Mac's standard Assumption Agreement for SBL Mortgages (for a Transfer of Ownership involving a change in ownership of the Property)
2. Guaranty
3. Easement Agreement
4. Partial Release Agreement
5. Any other legal document required by the Approval Letter issued in connection with the transaction
6. Title insurance commitment and/or policy
7. Organizational documents of each entity specified in Section 9SBL.7
8. If required by the Approval Letter, opinion of the new Borrower's and/or new guarantor's legal counsel
9. Subordination Agreement
10. Purchase Contract
11. Deed
12. Affirmation by Borrower or guarantor

The Servicer must not obtain an Assignment of Management Agreement and Subordination of Management Fees for loans purchased under the Freddie Mac Small Balance Loan Program.

**c. Scope of Servicer and Single Counsel review (06/30/16)**

The Servicer and Single Counsel must ensure that

- They have reviewed the documents in detail
- The documents fully reflect all terms of Freddie Mac's approval and do not otherwise change any of the terms of the SBL Mortgage
- All statements set forth in the documents are accurate
- The documents comply with all applicable federal, State and local laws



**d. Payment of Single Counsel fees (06/30/16)**

To the extent that the Loan Documents obligate the Borrower to reimburse the lender for legal fees or expenses in connection with the servicing or enforcement of the SBL Mortgage, the Servicer must require that the Borrower reimburse it for the fees and expenses of Single Counsel unless Freddie Mac waives any portion of the fees or expenses.

**6SBL.15 Reserved (06/30/16)**

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<b>Style name:</b> Default Style	
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<b>Changes:</b>	
<u>Add</u>	9
<del>Delete</del>	9
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
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Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	18

# Multifamily Seller/Service Guide

## Chapter 7

### Fraud Prevention, Detection and Reporting;

### Reporting Fraud and Suspicious Activity and Restricted Parties



#### ~~7.1 Prevention, detection and reporting (04/18/24)~~ Definitions (07/01/25)

#### ~~7.2 Screening and training of Freddie Mac Matters Employees, Freddie Mac Matters Contractors, and Third-Party Vendors (07/01/25)~~

- ~~a. Hiring and training (08/26/24)~~ Generally (07/01/25)
- ~~b. Origination and Servicing (04/18/24)~~ Screening against Restricted Party Lists (07/01/25)
- ~~c. Multifamily Restricted Vendor List; Vendors with Conditions (07/01/25)~~
- ~~d. Inquiry regarding ability to participate in Freddie Mac business (07/01/25)~~
- ~~e. Training (07/01/25)~~

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#### 7.3 Screening of Borrower Transaction Parties (07/01/25)

#### ~~7.2 Reporting requirements (02/27/25)~~

#### 7.4 Reporting and procedures for Restricted Parties and other related issues (07/01/25)

- ~~a. Procedures for reporting and what to report (06/13/24)~~ Restricted Parties (07/01/25)
- ~~b. Immediate notification and reporting (02/27/25)~~ No New Business Letters (07/01/25)
- ~~c. Other related issues (07/01/25)~~

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#### 7.5 Prevention, detection, and reporting of Suspicious Activity and actual or possible Financial Crimes (07/01/25)

- ~~a. Generally (07/01/25)~~
- ~~b. Records retention relating to Financial Crimes and Suspicious Activity (07/01/25)~~

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#### 7.6 Reporting requirements (07/01/25)

- ~~a. Procedures for reporting (07/01/25)~~
- ~~b. What to report; immediate notification (07/01/25)~~
- ~~c. Suspicious Activity Reports (07/01/25)~~

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#### 7.7 Investigations by Seller/Service (07/01/25)

- ~~a. Seller/Service investigations requested by Freddie Mac (07/01/25)~~
- ~~b. Required reporting for all Seller/Service investigations (07/01/25)~~

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#### 7.8 Cooperation with Freddie Mac (07/01/25)

#### ~~7.3 Cooperation requirements (08/26/24)~~



7.1 **Prevention, detection and reporting (04/18/24Definitions (07/01/25)**

~~The Seller/Servicer must have comprehensive prevention, detection and reporting practices and procedures in place to address Suspicious Activity and actual or possible fraud in connection with originating and selling a Mortgage to Freddie Mac and Servicing the Mortgage.~~  
The revisions to this chapter announced in the April 22, 2025 Bulletin are effective July 1, 2025.

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

This section identifies basic fraud prevention and detection requirements related to:

1. **Borrower Transaction Parties.** The parties identified as "Borrower Transaction Parties" in the Public Records Search Requirements posted on [mf.freddiemac.com](https://mf.freddiemac.com).
2. **Freddie Mac Matters.** Matters involving any Seller/Servicer related to (i) the quoting, submission, Seller/Servicer application, underwriting, origination or sale of a Mortgage that is, or contemplated to be, purchased or credit-enhanced by Freddie Mac, (ii) the asset management or Servicing of a Mortgage or Real Estate Owned, including any Transfer of Ownership, or (iii) any other transaction with Freddie Mac.
3. **Freddie Mac Matters Employee.** Any individual that is employed by a Seller/Servicer and that is involved in Freddie Mac Matters, including any Principal, officer, director, or employee of Seller/Servicer that:
  - Is involved in the quoting, production, underwriting, credit decisions, or Servicing of any Freddie Mac Mortgage or the submission of any Freddie Mac Mortgage to Freddie Mac for approval
  - 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 properties securing Freddie Mac Mortgages
  - Manages Custodial Accounts and/or performs custodial fund accounting for Freddie Mac Mortgages
  - Performs Servicing or asset management functions with respect to Mortgages or Real Estate Owned
  - Has management, oversight or supervisory responsibilities with respect to Freddie Mac Matters
4. **Freddie Mac Matters Contractor.** Any entity (or any employee of such entity) or any individual with whom the Seller/Servicer contracts to perform, on Seller/Servicer's behalf, functions normally performed by the Seller/Servicer with respect to Freddie Mac Matters, other than a Third Party Vendor.
5. **Freddie Mac Multifamily Financial Crimes Mailbox.** The email address of [MF\\_Mortgage\\_Fraud\\_Reporting@freddiemac.com](mailto:MF_Mortgage_Fraud_Reporting@freddiemac.com).

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6. **No New Business Letter.** A written notification from Freddie Mac to a party that Freddie Mac will not engage with any business involving such party.

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7. **Restricted Party.** Any party that is identified on one or more of the Restricted Party Lists.

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8. **Restricted Party Lists.** The following lists:

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- the Exclusionary List (see Section 2.18)
- the Multifamily Restricted Vendor List (see Sections 29.1(c), 60.4(c), 61.17(e) and 62.8(e)).
- the OFAC Lists (see Section 2.23)
- the FHFA SCP List (See Section 2.24)

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9. **Third-Party Vendor.** The following parties (the individual(s) and/or the firm) engaged by or on behalf of a Seller/Service or by or on behalf of a Borrower, Borrower Principal, or a Guarantor in connection with the origination of a Mortgage or the Servicing of a Mortgage or Real Estate Owned, including any Transfer of Ownership:

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- Broker/correspondent
- Appraiser (the entity, the client manager, and any individual who signs the Appraisal)
- Title Company
- Title Agent
- ~~Employee hiring and training~~—Title Insurance Underwriter
- ~~Origination and Servicing~~
- Surveyor (the entity and the surveyor who signs the survey)
- Property condition consultant (the entity, the inspector, and any engineer who signs the property condition report)
- Environmental consultant (the entity, the inspector, any environmental consultant who signs the environmental report, the environmental professional as noted in the report)
- Seller/Service’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 or, with respect to a Transfer of Ownership, New Borrower’s counsel (the firm, the primary attorney(s) representing the Borrower or the New Borrower (as applicable) with respect to the transaction, and any attorney who signs a legal opinion or provides any certification to the Seller/Service and/or to Freddie Mac)

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- Guarantor’s counsel or, with respect to a Transfer of Ownership, new guarantor’s counsel (the firm and any attorney who signs a legal opinion or provides any certification to the Seller/Servicer and/or to Freddie Mac)
- With respect to any Targeted Affordable Housing Mortgage originated under a forward commitment, the Architectural Consultant (the entity, the on-site inspector, and any consultant who signs the construction reports described in Section 63.1)
- Any third party (other than a Freddie Mac Matters Contractor) engaged by or on behalf of a Seller/Servicer or, to the knowledge of Seller/Servicer based on due inquiry, a borrower to provide reports or other services in connection with the origination or Servicing of a Mortgage or Real Estate Owned

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**7.2 Screening and training of Freddie Mac Matters Employees, Freddie Mac Matters Contractors, and Third-Party Vendors (07/01/25)**

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The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

**a. Hiring and training (08/26/24 Generally (07/01/25)**

It is important for Seller/Servicers to know the parties with whom they do business. Accordingly, the Seller/Servicer must have screening, hiring, and training practices in place to approve, evaluate, monitor and ensure the integrity of Freddie Mac Matters Employees, Freddie Mac Matters Contractors and Third-Party Vendors.

**b. Screening against Restricted Party Lists (07/01/25)**

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The Seller/Servicer’s screening practices must include, at a minimum, the following:

1. The Seller/Servicer must screen all Freddie Mac Matters Employees against the Restricted Party Lists to ensure compliance with the provisions of this chapter. The Seller/Servicer must also screen, or caused to be screened, all Freddie Mac Contractors against the Restricted Party Lists to ensure compliance with the provisions of this chapter. The screening of Freddie Mac Matters Contractors and Freddie Mac Matters Employees should be conducted, at a minimum, at the time of hire or engagement, and at least annually thereafter.
2. Effective for (i) Mortgages under Seller Application on or after July 1, 2025, and (ii) Servicing transactions for which complete servicing review packages are received on or after July 1, 2025, the Seller/Servicer must screen each Third-Party Vendor involved in such Mortgages or Servicing transactions against the Restricted Party Lists. Such screening must occur before the submission of the full underwriting package or complete servicing review package (as applicable), or, if such Third-Party Vendor is not engaged until after the submission of the full underwriting package or complete servicing review package (as applicable), as soon as practicable thereafter and in any event before the closing of such transaction. For purposes of clarification, for any Mortgages under Seller Application prior to July 1, 2025, and any Servicing transactions for which complete servicing review packages are received prior to July 1, 2025, the Seller/Servicer must

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either comply with the requirements set forth in this section or those requirements that were in effect immediately prior to July 1, 2025.

3. The Seller/Servicer must have screening and hiring practices in place to ensure the integrity of its employees. In addition, before any individual may be retained to work on Freddie Mac matters, the retain evidence that it has screened, or has caused to be screened, all Freddie Mac Matters Employees, Freddie Mac Matters Contractors, and Third-Party Vendors against the Restricted Party Lists to ensure compliance with the provisions of this chapter. Such evidence must include the date the search was conducted and, with respect to the SCP List and the OFAC Lists, screenshots or copies of the searches). With respect to the screening of any Third-Party Vendor, Seller/Servicer must do each of the following as required in Section 2.18: retain such evidence in the Mortgage File.

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• Search the Exclusionary List, and  
**c. Multifamily Restricted Vendor List; Vendors with Conditions (07/01/25)**

The Multifamily Restricted Vendor List is made available to Seller/Servicers at mf.freddie.mac.com for the sole purpose of ensuring that an unacceptable Third-Party Vendor does not perform services in connection with Multifamily Mortgage transactions. The Multifamily Restricted Vendor List will constitute "Confidential Information" as defined in Section 2.8.

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- Ensure that any individual whose name is on the Exclusionary List is not employed by or contracted with the Seller/Servicer in connection with the origination, underwriting, asset management or Servicing of Freddie Mac Mortgages

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Freddie Mac's acceptance of the engagement of any specific Third-Party Vendor may be subject to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac's sole discretion. When applicable, Freddie Mac identifies these Third-Party Vendors on the "Vendors With Conditions List," which is attached as a schedule to the Multifamily Restricted Vendor List. Provided that such parties do not appear on any other Restricted Party List, these parties may continue to be engaged by Borrowers or Seller/Servicers but will be subject to the additional conditions described in the Vendors With Conditions List.

**d. Inquiry regarding ability to participate in Freddie Mac business (07/01/25)**

If a party has received a No New Business Letter, such party may not be involved in Freddie Mac Matters in any capacity unless and until such party is otherwise notified by Freddie Mac in writing.

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Seller/Servicer must ask each Freddie Mac Matters Employee and Freddie Mac Matters Contractor, whether such party (1) is the subject of a No New Business Letter that is still in effect, or (2) has received any similar notification from any other lender or secondary market mortgage participant. Such inquiry must be made, at a minimum, at the time of hire or engagement, as applicable, and at least annually thereafter.





Seller/Service must retain in its files evidence that it has made the inquiry required under this section of Freddie Mac Matters Employees and Freddie Mac Matters Contractors. Such evidence should include the date of the inquiry.

**e. Training (07/01/25)**

Employees and any entity or individual engaged to handle or perform functions typically handled by employees, andAt the time of engagement or hiring (as applicable), Freddie Mac Matters Employees and Freddie Mac Matters Contractors that are in a position to notice or report Suspicious Activity and actual or possible fraud, Financial Crimes must receive training in each applicable area of its mortgage business about:

- Common and emerging fraud, Financial Crimes schemes applicable to multifamily loans, multifamily properties, Borrowers, Borrower Principals, and any other individuals or entities associated with the origination, underwriting or Servicing of a Freddie Mac Mortgage
- Financial crimes (including fraud, money laundering, terrorist financing and OFAC violations)Crimes identification, reporting and risk mitigation
- Red flags applicable to multifamily loans, multifamily properties, Borrowers, Borrower Principals or any other individuals or entities associated with the origination, underwriting or Servicing of a Freddie Mac Mortgage, that may signal potential fraud, Financial Crimes and/or Suspicious Activity, which may require additional review
- The Seller/Service's written procedures (including requirements of this Chapterchapter) for prevention, detection, and reporting of Suspicious Activity and actual or possible fraud, Financial Crimes

Parties engaged to handle or perform functions typically performed by employees andFreddie Mac Matters Contractors that are in a position to notice or report Suspicious Activity and actual or possible fraud, Financial Crimes may include parties such as contract underwriters, contract processing service companies (including loan processors), contract quality control firms, Borrower outreach companies, loss mitigation services and collection companies.

The training must include periodic updatesbe repeated at least annually and include updates to ensure that employees and parties referenced aboveFreddie Mac Matters Employees and Freddie Mac Matters Contractors are aware of emerging fraud (including money laundering)and potentially suspicious Financial Crimes scenarios.

The Seller/Service must provide the training directly, hire a third party to provide the training, or obtain an annual written verification from the engaged entity or individual confirming that the entity or individual has already received such training from another party in accordance with the requirements of this section.

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**7.3 Screening of Borrower Transaction Parties (07/01/25)**

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Seller/Servicer must screen all Borrower Transaction Parties in accordance with Section 2.28, and the Public Records Search Requirements referenced therein.

**7.4 Reporting and procedures for Restricted Parties and other related issues (07/01/25)**

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

**a. Restricted Parties (07/01/25)**

1. Except as set forth in Section 7.4(a)(3), the Seller/Servicer must ensure that no Freddie Mac Matters Contractor, Freddie Mac Matters Employee, Third-Party Vendor, or Borrower Transaction Party that is a Restricted Party has any involvement in any Freddie Mac Matters.
2. If a Seller/Servicer determines that a Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party is a Restricted Party, then Seller/Servicer must take all the following actions:
  - Immediately cease such party's involvement in any Freddie Mac Matters (except as set forth in Section 7.4(a)(3))
  - Notify the Multifamily Financial Crimes *Investigation Unit* in writing within one Business Day at Freddie Mac Multifamily Financial Crimes Mailbox
  - Cooperate promptly with all Freddie Mac's requests for information regarding such Restricted Party, including the identification within five Business Days of any Freddie Mac Matters with which such Restricted Party has been involved
  - Comply with any applicable conditions set forth in Sections 2.18, 2.19, 2.23, and 2.24
3. Notwithstanding the foregoing, the involvement of a Restricted Party in any Freddie Mac Matters will not violate the provisions of Section 7.4(a)(1) or 7.4(a)(2) if any of the following applies:
  - Such party is a Restricted Party solely due to being listed on the Vendors With Conditions List, and if involvement in Freddie Mac Matters is permitted under the conditions set forth on the Vendors With Conditions List (See Section 7.2(c))
  - Such party is a Restricted Party solely as a Named Party on the FHFA SCP List, if involvement in Freddie Mac Matters is permitted under the conditions or exclusions set forth in such Named Party's final suspension order

**a.b. Origination and Servicing (04/18/24) No New Business Letters (07/01/25)**

Seller/Servicer must notify the Multifamily Financial Crimes *Investigation Unit* in writing within one Business Day if Seller/Servicer becomes aware that:

- Any Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party involved in a pending origination or Servicing transaction (1)

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is the subject of a No New Business Letter that is still in effect, or (2) has received any similar notification from any other lender or secondary mortgage market participant.

- Any Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party involved in a past origination or Servicing transaction (1) was, at the time of such transaction, the subject of a No New Business Letter then in effect, or (2) had received, at the time of such transaction, a similar notification from another lender or secondary mortgage market participant.

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If Seller/Servicer becomes aware that any Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party has received a No New Business Letter, Seller/Servicer must immediately cease such party's involvement in a pending transaction and any other Freddie Mac Matters.

c. Other related issues (07/01/25)

1. The Seller/Servicer must notify Freddie Mac within five Business Days if Seller/Servicer has, for cause, discontinued the use of any Freddie Mac Matters Contractor or any Third-Party Vendor. Such information must be sent to the Freddie Mac Multifamily Financial Crimes Mailbox and Multifamily Counterparty Risk & Compliance at Multifamily\_Eligibility@freddiemac.com.

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2. 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:

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- Immediately cease involving the Principal in any Freddie Mac Matters
- Notify the Multifamily Financial Crimes Investigation Unit in writing within one Business Day at the Freddie Mac Multifamily Financial Crimes Mailbox

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Such knowledge includes knowledge of a criminal conviction or civil judgment against any Principal for commission of fraud or other Financial Crimes 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.

7.5 Prevention, detection, and reporting of Suspicious Activity and actual or possible Financial Crimes (07/01/25)

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The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

a. Generally (07/01/25)

1. The Seller/Servicer must have comprehensive prevention, detection and reporting practices and procedures in place to address Suspicious Activity and actual or possible Financial Crimes in connection with Freddie Mac Matters. Such practices and procedures must be subject to monitoring and controls that ensure the efficacy of such practices and procedures.

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2. The Seller/Servicer must take the following minimum steps to prevent and detect Suspicious Activity and actual or possible ~~fraud in the areas of origination and Servicing~~Financial Crimes in connection with Freddie Mac Matters:

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- Maintain a log of Suspicious Activity and actual or possible ~~fraud~~Financial Crimes involving any Freddie Mac ~~MortgageMatters~~ that ~~has~~have been reported to and/or investigated by the Seller/Servicer and reported in accordance with ~~Section 7.2. Seller/Servicers must provide the log~~this chapter. The log should specify the date on which such matter was identified internally and the date on which such matter was reported to Freddie Mac ~~upon request~~.
- Provide the log to Freddie Mac no later than January 31<sup>st</sup> of each year, for reconciliation of any Suspicious Activity or actual or possible Financial Crimes that have been reported to and/or investigated by Seller/Servicer during the prior calendar year, and otherwise upon Freddie Mac's request. The log should be sent to the Freddie Mac Multifamily Financial Crimes Mailbox, with a copy to Multifamily Counterparty Risk & Compliance via email at Multifamily\_Eligibility@freddiemac.com.
- Ensure that information indicating Suspicious Activity and actual or possible ~~fraud~~Financial Crimes that the Seller/Servicer receives from any source is escalated internally, properly investigated, and reported immediately (within one Business Day after its discovery) and escalated internally and properly investigated to the Freddie Mac Multifamily Financial Crimes Mailbox, in accordance with this chapter.

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This includes information received from sources involved with:

- The origination of a Mortgage and related real estate transactions, such as Borrowers, Borrower Principals, and providers of third-party reports
- Servicing functions relating to a Mortgage or Real Estate Owned (REO)
- Investigate unusual patterns or discrepancies or other red flags, such as a sudden drop in operating income or occupancy or a sudden increase in expenses after origination or supplemental loan funding.

~~• Comply with Section 2.18 regarding screening against the Freddie Mac Exclusionary List.~~

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- Comply with all other Guide provisions relating to prevention and detection of Suspicious Activity and actual or possible ~~fraud~~Financial Crimes.

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~~It is also important for Seller/Servicers to know the parties with whom they do business.~~

b. Records retention relating to Financial Crimes and Suspicious Activity (07/01/25)

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A Seller/Servicer must also maintain all records evidencing Suspicious Activity and actual or possible Financial Crimes in accordance with its standard records retention policies, or such longer period as may otherwise be required under the Guide or by law or requested in writing by Freddie Mac.



Accordingly, Seller/Serviceirs must:

- ~~Approve, evaluate and monitor appraisers, Title Companies, engineers, environmental consultants, providers of zoning reports and any other third party to whom Servicing functions relating to a Mortgage or REO are outsourced or assigned in accordance with the requirements in the Guide.~~
- ~~Consult the Multifamily Restricted Vendor List (See Sections 29.1(c), 29SBL.1(c), 60.4(e), 61.17(e) and 62.8(e) and 62SBL.17(e), as applicable).~~

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**7.27.6 Reporting requirements (02/27/2507/01/25)**

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~~The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.~~

**a. Procedures for reporting and what to report (06/13/24(07/01/25)**

~~The Seller/Serviceir must have written procedures for reporting Suspicious Activity and actual or possible fraud/Financial Crimes in connection with a Mortgage offered to, sold to, or serviced for, Freddie Mac Matters and discovered at any time, including during the quote process, Seller/Serviceir Mortgage loan application, underwriting, or origination of a Mortgage or during Servicing activities. A Seller/Serviceir must also maintain all records evidencing Suspicious Activity and actual or possible fraud in accordance with its standard records retention policies.~~

**b. What to report; immediate notification (07/01/25)**

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~~1. A Seller/Serviceir must immediately (within one Business Day) report to Freddie Mac within 1 Business Day after by completing Form 1129, Potential Fraud Tip Reporting, if the Seller/Serviceir obtains information, receives allegations, or otherwise learns that one any of the following, may be occurring or may have occurred during origination or in connection with Freddie Mac Matters, including during the quote process, Seller/Serviceir Mortgage loan application, underwriting, or origination of a Mortgage or in connection with Servicing of a Mortgage:~~

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- ~~Misrepresentation, misstatement, or omission related to the Borrower or Borrower Principals including sources of funds, other indebtedness, and other assets~~
- ~~Misrepresentation, misstatement, or omission related to the Property, including with respect to property valuation, property value, occupancy, income and property use, and any other Property-related information~~
- ~~Misrepresentation, misstatement, or omission of any other information related to a Mortgage or related real estate transaction, including, undisclosed seller or other third-party incentives, loan performance, mortgage purpose, kickbacks, an undisclosed relationship between parties to the transaction when Freddie Mac requires that the transaction be an "arm's length" transaction~~
- ~~Falsification or destruction of documents or records by the Borrower, Borrower Principal or any party involved in the origination, underwriting or Servicing of the Mortgage~~



- False statements, misrepresentation, or making false claims, including regarding financial statements, Property condition, Property ownership and management, transaction documents, and any other relevant information
- In connection with a Borrower or Key Borrower Principal, the failure to accurately or completely report in Form 1115, Borrower and Key Borrower Principal Certificate, or in other required Freddie Mac documentation
- Theft of custodial funds or non-remitted payoff funds
- The involvement of a person or entity on the Freddie Mac Exclusionary List, FHFA SCP List, or the Multifamily Restricted Vendor List, in the origination, sale or Servicing of the Mortgage or in the related real estate transactions in violation of Section 2.18, Section 2.19, or Section 2.24
- Actual or possible terrorist financing or ongoing or possible money laundering schemes or activity, including the involvement of a person or entity on the OFAC Lists
- Notification of the entry of a civil judgment, guilty plea or criminal conviction indicating lack of integrity and relating to a participant in a Mortgage transaction or related real estate transaction, or relating to a board member, officer, employee, or contractor of the Seller/Servicer
- Notification by law enforcement or another governmental authority that such authority is conducting an investigation or prosecution of ~~fraud~~ Financial Crimes relating to Mortgages owned by, or serviced for, Freddie Mac or relating to a board member, officer, employee, or contractor of the Seller/Servicer

2. Within five Business Days following the immediate notification described above, the Seller/Servicer must provide to Freddie Mac such additional information as may be requested by Freddie Mac or otherwise discovered by the Seller/Servicer after the immediate notification.

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3. All information required under this section must be provided in writing by e-mail to the Multifamily Financial Crimes Investigation Unit at the Freddie Mac Multifamily Financial Crimes Mailbox.

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**b.c. Immediate notification and reporting (02/27/25 Suspicious Activity Reports (07/01/25)**

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~~The Seller/Servicer must immediately (within one Business Day after its discovery) report the information identified in Section 7.2(a) to Freddie Mac by completing Form 1120, Potential Fraud Tip Reporting, and emailing it to the Multifamily Fraud Investigation Unit at MF\_Mortgage\_Fraud\_Reporting@freddiemac.com.~~  
~~The Seller/Servicer must, within five Business Days following the immediate notification, provide additional information as may be requested in writing to the Multifamily Fraud Investigation Unit at MF\_Mortgage\_Fraud\_Reporting@freddiemac.com.~~  
Seller/Servicers are not required to, and must not, disclose to Freddie Mac any Financial Crimes Enforcement Network Suspicious Activity Reports (SARs) or draft SARs, documents or



information revealing the existence of a SAR or indicating whether or not a SAR has been filed, or where disclosure of Suspicious Activity and actual or possible ~~fraud~~Financial Crimes to Freddie Mac would otherwise be prohibited by law.

**7.7 Investigations by Seller/Service (07/01/25)**

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

**a. Seller/Service investigations requested by Freddie Mac (07/01/25)**

At Freddie Mac’s request, Seller/Service must conduct and diligently pursue to completion investigations where Suspicious Activity or actual or possible Financial Crimes have been identified in connection with Freddie Mac Matters, including internal investigations into Seller/Service’s past or present employees and/or past or present practices.

**b. Required reporting for all Seller/Service investigations (07/01/25)**

With respect to any investigation conducted by the Seller/Service where Suspicious Activity or actual or possible Financial Crimes have been identified (whether initiated by Seller/Service or conducted in response to a request by Freddie Mac), the Seller/Service must provide to Freddie Mac:

- Monthly updates regarding such investigation
- A final written report that includes the Seller/Service’s findings and conclusions and all relevant supporting documentation regarding any internal investigation conducted by Seller/Service no later than 60 days following the completion of such investigation (or such later date as Freddie Mac may approve in writing)

**7.37.8 Cooperation requirements (08/26/24with Freddie Mac (07/01/25)**

The Seller/Service must cooperate with Freddie Mac to prevent and investigate, where permitted by law, Suspicious Activity and actual or possible ~~fraud~~Financial Crimes, including any potential breach of Seller/Service’s representations and warranties in connection with such Suspicious Activity and actual or possible Financial Crimes. Cooperation includes:

- Making available to Freddie Mac individuals with knowledge of relevant facts
- Providing, and assisting Freddie Mac, when permitted by law, in obtaining all information, documentation and records requested by Freddie Mac relating to a Mortgage and related real estate transactions, including closing or settlement agent files, Mortgage files, Borrower payment records, re-verifications of occupancy and assets and any internal or external communications
- The Seller/Service must comply with the deadlines specified by Freddie Mac for providing information, documentation, records, access to individuals or any other requested assistance.

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Failure to cooperate with Freddie Mac or to comply with any other requirements in this Chapter 7 may result in Freddie Mac taking any disciplinary actions set forth in Section 4.1(b) or exercising any other rights and remedies available under the Guide, at law or in equity.



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<b>Changes:</b>	
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Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
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<b>Total Changes:</b>	418

# Multifamily Seller/Service Guide

## Chapter 8

### Property Fundamentals



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**8.1 Introduction (09/08/04)**

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

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

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

**8.2 Structure (12/17/19)**

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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For more detailed information on creating a Moisture Management Plan that meets Freddie Mac's requirements, Seller/Service providers should consult the Moisture Management Plan Handbook.

**Note:**

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

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

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

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

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

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

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

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

1. A third-party property condition consultant, meeting the requirements of Section 62.8 and with specific expertise in the identification and correction of water intrusion and mold issues, must conduct the Special Moisture or Mold Issues Inspection.
2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must
  - a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues





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

**8.4     Occupancy (02/07/05)**

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

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

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



- If a zoning report is not available for the jurisdiction in which the Property is located, Freddie Mac may purchase a Mortgage if the Property meets the requirements of Section 8.5(d) below.
- c. If the zoning report states that the Property does not conform to current zoning regulations, including those governing density, building restriction lines, size or parking, Freddie Mac may purchase the Mortgage for the Property if the Property meets one of the following requirements:
- The zoning report states that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").
- If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a preliminary legal issues memorandum (PLIM) with a copy to the applicable Freddie Mac *Multifamily Attorney*.
- If the zoning report does not provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:
    1. The zoning report must contain a damage restoration statement from the zoning authority that
      - a. States the requirements of the current zoning classification (i.e., number of units that could be rebuilt or the set back that would be required under current zoning), and
      - b. Specifies the percentage of damage to the Property's market, replacement or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.
    2. The Seller must submit an evaluation of the likelihood that a fire or other casualty could damage the Property beyond the damage threshold level by evaluating
      - a. The number of buildings on the Property and their proximity to one another
      - b. The type of construction materials used
      - c. The presence of smoke detectors and sprinklers
      - d. Whether any flame-retardant material has been used



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



- a. States the requirements of the current zoning classification (i.e., the number of units that could be rebuilt or the set back that would be required under current zoning), and
  - b. Specifies the percentage of damage to the Property's market, replacement, or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.
2. The Seller must submit the evaluations, analysis and if applicable, the PLIM required in Section 8.5(c)(2) through 8.5(c)(6) above.
- e. If not all Certificates of Occupancy are available for the Property, the Property's zoning report must include one of the following:
- 1. The following statement:  
  
The absence of any Certificate of Occupancy within the "applicable governmental authority" Property file is not a violation nor will it give rise to any enforcement action affecting the property. A new Certificate of Occupancy will only be required for new construction and to the extent that any renovations/remodeling are made to all or a portion of the Property.
  - OR
  - 2. An explanation of why the statement in Section 8.5(e)(1) is not applicable, based on the particular facts and circumstances related to the Property or the requirements of the applicable jurisdiction.
- f. Notwithstanding the above, a zoning report is not required if the zoning analysis described in Section 60.12(f)(2) is provided in the Appraisal and all of the following conditions are met:
- The Mortgage has an initial principal balance of \$20 million or less or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate
  - The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage
  - Copies of all available Certificates of Occupancy are provided to Freddie Mac in the final underwriting package
- If the Additional Zoning Compliance Information identified in the chart in Section 60.12(f) is included in the zoning analysis
- If the appraiser's conclusion on conformity states that the Property is legal conforming, then no further action is necessary



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

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

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

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

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

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

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

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

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

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

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

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

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

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

- If Freddie Mac determines that it is feasible to create or construct Essential Facilities, Recreational Facilities or direct primary access, Freddie Mac may require the Borrower to make the necessary modifications so that the Property meets all of the requirements for an Independent Property
- Freddie Mac may require the Borrower to establish a Reserve of the funds necessary to make the required modifications at a later date, as determined by Freddie Mac
- Freddie Mac may require the Mortgage to be cross-collateralized and cross-defaulted with the mortgage(s) on the property(ies) on which the Essential Facilities, Recreational Facilities or direct access are located (See 8.6(d))
- Freddie Mac may require that the Borrower be personally liable for any loss or damages incurred by Freddie Mac because the Property is not an Independent Property

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

If the Property is not and will not be an Independent Property as of the Origination Date and Freddie Mac has not required a Reserve of the funds or additional recourse pursuant to

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Section 8.6(c), Freddie Mac may agree to purchase the Mortgage if each of the following requirements is met:

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

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

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

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

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

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

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

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



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

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

**8.8 Access (06/29/17)**

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

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

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

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

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

1. The Shared Access Agreement must contain a stipulation that access to and use and enjoyment of any easement or private road are perpetual and that such rights will inure to the benefit of all future owners of the Property.
2. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Access Agreement may not allow for loss of use in the event of a breach. However, the Shared Access Agreement may permit the placement of a lien which is subordinate to the Mortgage for unpaid maintenance costs for the easement.
3. Each party's responsibilities and share of expenses under the Shared Access Agreement must be stipulated.
4. The Shared Access Agreement must be recorded in the applicable records for the jurisdiction prior to the Freddie Mac Funding Date. If the Shared Access Agreement is





not or will not be recorded, the Seller/Servicer's legal counsel must provide an explanation acceptable to Freddie Mac.

5. If shared access is evidenced only by a subdivision plat, deed restriction or similar instrument then there must not be anything in the plat, deed restriction or similar instrument or under the applicable laws in the jurisdiction that could result in the loss of use by the Borrower.
6. If the Property is not visible from the public street, the Shared Access Agreement or a separate sign agreement must permit signage to be placed in the easement area or in or about the private road in a location near the entrance to the Property or, if applicable, the phased development.

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

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

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

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

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

- The Seller must provide the appraiser with all information regarding the Shared Access Agreement
- The title insurance policy must fully insure the right of access to and from the Property
- The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit access to the Property



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

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

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

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

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

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

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

"Essential Facilities" include the following:

- Leasing office
- Model unit(s), if applicable
- Private streets
- Parking necessary for the Property to be in compliance with all zoning laws and regulations
- Any utility and/or maintenance buildings and/or facilities (for example, on-site central heating and cooling system, parking and/or driveway maintenance, maintenance garage, repair shop, bridge connecting one phase to another phase)
- Any utilities (for example, electricity, gas, telephone, cable TV, water, sewer), as applicable, that are not provided by public utilities and/or local government
- Lawn/grounds maintenance and snow removal, including storage of equipment and contractual obligations to provide such services on the Property



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

“Recreational Facilities” include the following:

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

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

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

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

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

1. The Shared Use Agreement must contain a stipulation that access to and use and enjoyment of the Essential Facilities and/or Recreational Facilities are perpetual and that such rights will inure to the benefit of all future owners of the Property.
2. Each party’s remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Use Agreement may not allow for loss of use in the event of a breach. However, the Shared Use Agreement may permit the placement of a lien which is subordinate to the Mortgage for unpaid maintenance costs.
3. Each party’s responsibilities and share of expenses under the Shared Use Agreement must be stipulated.
4. The Shared Use Agreement must be recorded in the applicable records for the jurisdiction prior to the Freddie Mac Funding Date. If the Shared Access Agreement is

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not or will not be recorded, the Seller/Service’s legal counsel must provide an explanation acceptable to Freddie Mac.

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

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

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

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

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

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

**8.11 Nonresidential leases (~~02/29/14~~04/22/25)**

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

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

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

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

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



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

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

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

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

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

Tenant estoppels must confirm or explain the following items:

1. Commencement date, expiration date, and any extension rights
2. Tenant is in actual possession of the premises and is open for business
3. Name of any Guarantor of the lease
4. Amount of rents and all other charges payable (common area maintenance fees, real estate tax reimbursements, insurance reimbursements, etc.); date through which rent and other such charges have been paid; amount of any advance rent paid and the period for which such advance rent is to be applied; amount of any outstanding concessions, including future “free rent” periods; any additional data necessary to compute the rent (e.g., the base year and/or sales figures)
5. Amount and type (e.g., cash or letter of credit) of security deposit; if estoppel indicates that the security deposit is in the form of a letter of credit, the Seller must confirm whether the letter of credit is freely assignable/transferable to a successor owner of the Property
6. No outstanding landlord obligations (tenant improvement allowance, repairs, unpaid annual adjustments, etc.)
7. No current default by landlord or tenant; no set-off or other pending claims or disputes by tenant against landlord



- 8. No option or right of first refusal to purchase the Property or any space; no right of first refusal to lease additional space
- 9. No rights of termination except as described in the estoppel, other than customary rights of termination due to substantial casualty or condemnation
- 10. A true, correct, and complete copy of the lease is attached to the estoppel
- 11. Any additional items which are necessary to address specific unique issues relating to the lease, including concerns identified in the Commercial Lease Analysis or the PLIM

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

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

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

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

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

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

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



~~g. Cable television, internet, and other telecommunications systems leases, licenses or agreements (09/25/15)~~

- ~~1. A “telecommunications agreement” [as defined in Section 43.32] that is not with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor), and that meets the requirements set forth in Section 43.32 does not have to be subordinated to the lien of the Mortgage.~~
- ~~2. In general, Freddie Mac will not subordinate its Mortgage to a telecommunications agreement. However, Freddie Mac may agree to enter into the standard Freddie Mac SNDA with a provider to protect the provider’s interest in the Property, upon written request by the Borrower.~~
- ~~3. A telecommunications agreement with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor) must be specifically subordinate to the lien of the Mortgage unless the lease contains a provision for termination by the owner of the Property without cause on 30 days’ notice and without payment of a fee or penalty. Such subordination may be contained in the provisions of the lease itself or may be contained in a separate subordination agreement. The subordination agreement must be recorded if the telecommunications agreement is recorded. Freddie Mac will not agree to a nondisturbance agreement for a telecommunications agreement that is with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor).~~

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

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

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

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

1. The subordinate lender must be a financial institution or other lender that is not related to the Borrower.
2. The subordinate lender must enter into Freddie Mac’s standard Subordination Agreement, which provides, among other things, that the subordinate lender will
  - Provide notice of default to Freddie Mac
  - Give Freddie Mac the right (but not the obligation) to cure defaults, and
  - Not exercise its remedies under the Subordinate Financing for the period specified in the Subordination Agreement after notice to Freddie Mac that sets forth the specific remedy that the subordinate lender intends to exercise
3. The Subordination Agreement must be recorded in the land records of the jurisdiction in which the Property is located.

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4. The combined debt may not result in an LTV Ratio that exceeds 85 percent *and* the combined debt service may not result in a DCR that is below 1.20x.
5. The Subordinate Financing must be based on a fixed interest rate for the entire term or an adjustable interest rate with a rate cap.
6. If the Subordinate Financing is not fully amortizing, the term of the Subordinate Financing must be equal to or longer than the term of the Freddie Mac Mortgage.
7. The Seller must perform a refinance test acceptable to Freddie Mac on the combined debt.
8. The Seller must establish tax and insurance Reserves at the time of origination of the Freddie Mac Mortgage.
9. The Subordinate Financing must not provide for recourse against the Borrower or a third-party guarantee by a Borrower Principal.
10. The Borrower must be a single asset entity.

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

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

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

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

At final delivery of the Freddie Mac Mortgage or within 15 days after the settlement of the Subordinate Financing if the Subordinate Financing is originated after the Freddie Mac





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

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

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

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

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

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

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



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

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

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

A Mortgage is ineligible for sale to Freddie Mac if

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

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

**8.15 Property inspections and lease audits (06/13/24)**

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

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



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

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

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

Prior to early rate-lock or Index Lock (if applicable), the Seller must complete and document these inspection requirements as part of the mortgage transaction narrative analysis or on the Property Inspection and Lease Audit form. The Seller must include the names of all parties participating in the property inspection and the management interview, including the company each individual represents.

**b. Complete property inspection and lease audit (04/18/24)**

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

1. The unit inspection must include the following:
  - 10 percent of units, with no fewer than 10 units and no more than 30 units. This excludes Down Units and must include a representative sample of all unit types, such as vacant units. If inspecting 10 percent of the total number of units results in an insufficient number of inspected units to meet lease audit requirements, then additional units must be inspected to meet those requirements.
  - All Down Units
  - All commercial units
  - A representative sample of top floor and bottom floor units
  - A representative sample of any owner-operated guest suites, corporate leases, or units rented by short-term stay operators
2. Prior to the inspection date, the Seller must select twice the required number of units for inspection, and the Seller must instruct the Borrower to provide appropriate notification to the tenants of the selected units. A list of the units selected must be provided to Freddie Mac prior to the date of inspection.
3. On the day of the inspection, if Freddie Mac is on-site and participating in the inspection, Freddie Mac will identify an appropriate sample of units to inspect from the selected units, ensuring that the minimum number of units are inspected and that the inspected units are sufficient to meet lease audit requirements. If Freddie Mac is not present, the Seller will select units to be inspected. Neither the Borrower nor the property manager may select or recommend units to be inspected.



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

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



- a. Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.
- b. Rent roll dated the day of inspection from the property manager consistent with the rent roll requirements as defined in Section 55.2
- c. A sample or unexecuted residential lease or an executed residential lease with any personal or private information redacted
- d. Completed applicable property inspection form
- e. Completed applicable lease audit form, reflecting the following:
  - A lease audit of 10 percent of units, with no fewer than 10 units and no more than 30 units. At least 50 percent of leases audited must be units inspected; the remainder can be chosen randomly by the inspector after including representative samples of:
    - Leases from any inspected corporate units
    - Leases signed within the last 60 days
  - Effective for transactions taken under application on or after April 18, 2024, validation of leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional payments (e.g., late fees or other one-time charges).

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

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

- When submitted as part of the preliminary underwriting package:

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



- When submitted as part of the full underwriting package:

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

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

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

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

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

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

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

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

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

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



the Seller must:

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

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

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

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

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

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

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

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

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

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



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

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

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

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





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

Material repairs more likely to impact habitability are:

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

**8.18 Condominiums (10/14/16)**

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

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

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

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

- The Seller/Service's legal counsel must state in the PLIM that the Property is a 100 percent Borrower-owned Condo



- There are no additional underwriting requirements for a Property that is a 100 percent Borrower-owned Condo
- The Letter of Commitment or early rate-lock application may require certain modifications to the Loan Agreement and the Security Instrument

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

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

- The Borrower must own a majority of the Condominium Units
- The Borrower must control a majority of the Condominium Association's board of directors
- The voting rights held by the Borrower must be sufficient to control voting for the following:
  1. Appointment of a majority of directors on the board of directors of the Condominium Association established under the Condominium Documents
  2. Amendments or modifications to the Condominium Documents
  3. Improvements to the buildings or common areas
  4. Approval of the operating budget (including special assessments and reserves) of the Condominium Association
  5. Removal of the board of directors or trustees with or without cause
  6. Filling any vacancy caused by the removal of a director or trustee
  7. Adoption of the budget
  8. Levying a special assessment
  9. Ability of the board of directors to spend beyond its budget
  10. Amending the Condominium Unit owners' right to the use of the recreational facilities or common areas
- The consent of at least a "super majority" of the lenders holding mortgages on the Condominium Units ("Condominium Mortgagee") must be necessary in order to amend the Condominium Documents concerning various rights, priorities, remedies and interests



of the mortgagees including the following:

1. Changing the voting rights of any owner
  2. Changing any restrictions on the use of the Condominium Units
  3. Changing the priority of liens for assessments
  4. Reallocating the undivided interest in common elements
  5. Encumbering the common elements
  6. Expanding, contracting or terminating the Condominium
  7. Materially modifying the insurance requirements
  8. Using any insurance or condemnation proceeds for anything other than the repair of the Condominium or distribution to the Condominium Unit owners
  9. Restricting the leasing of Condominium Units
  10. Altering any provision that decreases the rights of any Condominium Mortgagee
- There must be no limits on the rights of a Condominium Unit owner to alter its unit(s)

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

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

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



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

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

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

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

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

- a. Other than the restriction prohibiting the conversion of the Property into a condominium or cooperative development, there may be no other restrictions on the use or development of the Property in the agreement/restriction.
- b. The term of the agreement/restriction and any obligations contained in it must be no longer than 10 years.
- c. The lender's liability under the agreement/restriction must be limited solely to the period (if any) during which the lender has ownership of the Property. The lender (including the mortgagee and its affiliates) must not have any liability for a condominium or cooperative conversion that occurs (a) during the period that Borrower owns the Property, or (b) after the lender sells the Property.
- d. The lender's liability under the agreement/restriction must be limited solely to its interest in the Property.
- e. The lender (including the mortgagee and its affiliates) must not have any liability under the agreement/restriction for permitting or consenting to a condominium or cooperative conversion action (whether by Borrower or any other party).
- f. The remedies for breach of the agreement/restriction may not include a right of reversion or repurchase by developer or any other party. If the remedies for breach are broadly defined (i.e., any remedy available at law or in equity), or could be read to include a right of repurchase or reversion, the agreement/restriction must expressly provide that no such



right is granted to the developer or any other party.

- g. The agreement/restriction may not impose any notice obligations on the lender (including the mortgagee and its affiliates).
- h. The agreement/restriction may not contain any terms, provisions or conditions that would be unacceptable to a prudent institutional commercial lender (e.g., any waiver of construction defects, warranty claims, or other rights or remedies available at law or in equity binding on Borrower, the lender and/or future owners of the Property).

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

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

**8.19 Tax abatements (04/14/22)**

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

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

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

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

**1. Program eligibility**

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

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



**2. Statutory approval**

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

**3. Continuation of tax abatement**

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

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

**c. Underwriting Properties with tax abatements or potential tax abatements (04/14/22)**

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

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

3. If the Mortgage is for the acquisition of a Property that has previously received a tax abatement but as of the Origination Date the Borrower will not have been approved to assume the tax abatement, Freddie Mac may consider underwriting the Mortgage using the abated tax amount. However, Freddie Mac reserves the right to underwrite the Mortgage using the amount of the full unabated taxes.
4. If the Property does not have a tax abatement in place but the Borrower has applied or will apply for the tax abatement, then Freddie Mac may, in its discretion, underwrite the Mortgage using the abated tax amount. Freddie Mac will look at whether the potential tax



abatement meets the following requirements:

- The Borrower has an entity in its organizational structure that has at least one other property that has qualified for a tax abatement
- The Borrower Principal has a record of qualifying for tax abatements
- The PLIM confirms that the Borrower is likely to obtain the tax abatement following origination

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

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

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

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

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

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

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

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

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



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

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

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

**f. Refinance test and DCR calculation for Properties with tax abatements (09/25/15)**

1. Refinance test for all Mortgages underwritten with tax abatements

Freddie Mac performs a refinance test as follows:

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

2. DCR calculation for all Mortgages underwritten with tax abatements

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

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be “infinite” and abated taxes can be utilized to derive the NOI and perform the refinance test:
  - a. The phase-in period, if any, begins at least 10 years after the Mortgage maturity date
  - b. The abatement runs at least 20 years after the Origination Date
  - c. The abatement runs for the full term of a fully amortizing Mortgage
- For all other Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow analysis to show the effect on NOI of any decrease in the tax abatement for the term of the Mortgage plus 10 years.

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

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





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

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

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

- A completed and executed Form 1120, Student Housing Questionnaire
- An Appraisal meeting the requirements of Section 60.22

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

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

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

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

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

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

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

- The required number of units that must be selected is calculated based on the percentage of total units at the Property
- For the inspection of a unit to be considered sufficient to count towards the required number of units that must be inspected, a majority of beds or bedrooms must have been accessible and inspected



- The required number of lease audits is calculated based on the percentage of total leases at the Property. At least 50 percent of leases audited must be for beds or bedrooms inspected.

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

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

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

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

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

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

Seller/Service’s legal counsel must provide Freddie Mac with the Solar Analysis. The Solar Analysis must include the following, in addition to any other information the Seller/Service or its counsel deems necessary for consideration by Freddie Mac:

- An analysis of the Solar Electric System on the Property, including each Solar Agreement to which a Property is subject and all applicable licenses and permits that are required for the legal use and operation of the Solar Electric System
- An analysis of any financial and/or operational obligations imposed upon Borrower
- The recommendation of Seller/Service or its counsel for mitigating any risk identified in the Solar Analysis or an explanation of why mitigation is not necessary or possible

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

1. Any Solar Electric System on the Property must have permission to operate (“PTO”) from the public utility for the jurisdiction in which the Property is located, the form and confirmation of which may vary among jurisdictions.
2. If the Solar Electric System is in place as of the origination of the Mortgage, Seller/Servicer must verify that: (i) the Solar Electric System has received PTO, (ii) the Property remains connected to the electric grid, and (iii) neither the Solar Electric System nor the Property is subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located.
3. If the Solar Electric System is not in place and in operation as of the Origination Date, Seller/Servicer must verify that the Property, after installation of the Solar Electric System: (i) will remain connected to the electrical grid, (ii) will not be subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located, and (iii) has received PTO.

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

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

- Net electric metering agreements
- Specialized financing agreements used to finance the Solar Electric System (e.g., grants, tax equity financing, renewable energy credit sales, etc.)

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- Agreements for the transfer of U.S. federal income tax credits to a third party under IRC Section 6418
- Evidence of any recapture obligations of Borrower

8.22 Infrastructure Agreements (12/14/2304/22/25)

a. General (12/14/23)

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

b. Infrastructure Agreements with Affiliates (12/14/23)non-Affiliates (04/22/25)

4. An Infrastructure Agreement that is not with an Affiliate of the Borrower or any Borrower Principal (including any ~~guarantor~~Guarantor), and that meets the requirements set forth in Chapter 29 and in the Title Policy and Endorsement Requirements and Section 43.32, does not have to be subordinated to the lien of the Mortgage. Freddie Mac may agree to enter into the standard Freddie SNDA with a provider to protect the provider’s interest in the Property, upon written request by the Borrower.
- ~~2. Freddie Mac will not subordinate the lien of the Mortgage to an Infrastructure Agreement.~~

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

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- ~~3.1.~~ An Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any ~~guarantor~~Guarantor) and encumbering the Property must be specifically subordinate to the lien of the Mortgage unless the applicable agreement contains a provision for termination by the owner of the Property without cause on 30 days’ notice and without payment of a fee or penalty. The subordination agreement must be recorded if the applicable Infrastructure Agreement is recorded. In addition, Freddie Mac will not agree to a nondisturbance agreement with respect to an Infrastructure Agreement (other than a Solar Agreement in accordance with Section 8.21) that is with an Affiliate of the Borrower or any Borrower Principal (including any ~~guarantor~~Guarantor).

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

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~~e.d.~~ SeveranceSeverance of lessor’s interest from the Property (12/14/2304/22/25)

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



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Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>57</b>

# Multifamily Seller/Service Guide

## Chapter 8SBL

### SBL Property Fundamentals



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**8SBL.1 Introduction (06/30/16)**

This chapter details Freddie Mac's requirements for the Property secured by a Small Balance Loan (SBL) Mortgage.

These Property requirements also apply to SBL Special Servicing Requests when appropriate.

**8SBL.2 Structure (06/16/22)**

**a. Structure type and habitability (06/16/22)**

The Property must be designed, in whole or in part, for residential use and contain five or more dwelling units. If a Property is in New York and contains six or fewer dwelling units, the Seller must confirm whether it is required under State law to pay a portion of the mortgage recording tax and the Seller must pay such tax at origination of SBL Mortgage if so required; the Seller may not pass the cost of such tax through to the Borrower.

Construction of the Property, including subsurface utilities and off-site improvements, must be completed as of the Delivery Date. If improvements cannot be completed for valid reasons, such as inclement weather, an adequate Reserve for the incomplete items must be established. Reserves must also be established for any repairs, improvements, alterations, conditions or construction as required by Freddie Mac. A satisfactory completion certificate, accompanied by color photographs, must be submitted to Freddie Mac.

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

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

**b. Commercial use (06/30/16)**

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

Mortgages on such Properties are eligible for purchase under Freddie Mac's SBL Purchase Product, provided that each of the following conditions is satisfied:

- Commercial usage is permitted under local zoning and use ordinances
- Utilization of the commercial space is compatible with the Property and the neighborhood



- The amount of commercial income recognized and the lease term must be supported by market comparison
- Underwritten commercial income is no more than 40 percent of Gross Potential Rent (GPR) and is otherwise acceptable to Freddie Mac
- Square footage devoted to commercial space is no more than 40 percent of the Net Leasable Space and is otherwise acceptable to Freddie Mac

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

**c. Reserved (06/30/16)**

**d. Aluminum wiring (06/30/16)**

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

1. Certification from the appraiser indicating whether the wiring has any adverse impact on the value of the Property
2. A cost estimate from a licensed electrical engineer for any repairs or corrections required by any applicable code
3. Certification of completion for all repairs and corrections to the wiring in the Property required by any applicable code.

**e. Reserved (06/30/16)**

**8SBL.3 Moisture or Mold issues (08/17/23)**

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

If the physical risk consultant determines that a Moisture Management Plan (MMP) is needed, then the Borrower must maintain an MMP for the Property. The MMP must provide for all of the following requirements:

1. Training the maintenance staff to understand the hazard and respond to all water intrusion events or leaks according to Environmental Protection Agency (EPA) guidelines
2. Providing information to tenants including, but not be limited to



- Tenant housekeeping responsibilities (This information must be provided to tenants when they execute a new lease and at lease renewal.)
  - Tenant responsibility for notifying management in a timely manner regarding moisture or Mold issues
  - Description of any remediation done within a tenant's unit or on a tenant's behalf
3. Identifying the source of and remedying the water intrusion or leak, or remediating the Mold (in accordance with EPA guidelines) and recording the corrective actions taken
  4. Documenting and promptly responding to tenant complaints relating to water intrusion, leaks, Mold, musty odors or health impacts and recording actions taken
  5. Scheduling and documenting routine inspections of building areas to search for evidence of water intrusion, leaks or Mold (At a minimum, these inspections must take place annually for all common areas and areas with a past history of water intrusion, leaks or Mold and at unit turnover or at a tenant's request for all units.)
  6. Keeping all plan documentation at the Property or at the property manager's office and available for the annual assessment inspection by the Servicer

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

For more detailed information on creating a Moisture Management Plan that meets Freddie Mac's requirements, Seller/Servicers should consult the Moisture Management Plan Handbook.

**Note:**

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

**b. Increased Scrutiny for Moisture or Mold Issues (02/28/18)**

Freddie Mac will require the Servicer to inspect a Property in accordance with the Increased Scrutiny for Moisture or Mold Issues requirements for any Property:

- With a history of moisture or Mold issues identified at underwriting, or
- With moisture or Mold issues identified during the term of the SBL Mortgage, or



- Without a Moisture Management Plan (MMP) (if the physical risk consultant recommended a plan but Freddie Mac waived the MMP)

If a Property is subject to Increased Scrutiny for Moisture or Mold Issues, during the annual assessment inspection, the Servicer must:

1. 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
2. Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
3. Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
4. Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, as well as all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas
5. Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
6. Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

**c. Special Moisture or Mold Issues Inspection (06/30/16)**

Freddie Mac, in its sole discretion, may require a Special Moisture or Mold Issues Inspection for a Property if:

- A moisture or Mold issue has been identified at underwriting
- Mold is identified after a water intrusion event or leak during the term of the SBL Mortgage

Freddie Mac will have the right to continue to require a Special Moisture or Mold Issues Inspection until the moisture or Mold issue has been resolved to its satisfaction. After the Borrower has resolved the moisture or Mold issue to Freddie Mac's satisfaction, Freddie Mac will require a subsequent Special Moisture or Mold Issues Inspection no more frequently than once every three years.

The Borrower will bear the cost of all Special Moisture or Mold Issues Inspections in accordance with the Loan Documents.

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

1. A third-party property condition consultant, meeting the requirements of Section 62.8, must conduct the Special Moisture or Mold Issues Inspection.



2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must
  - a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues
  - b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Section 62SBL.5(d)
  - c. Make inquiries of the Borrower or property manager regarding past and current water intrusion or potentially damaging leaks; any known Mold problems; or any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
  - d. Examine any areas where water intrusion or leaks have been reported
  - e. Examine all building components or areas most typically associated with water intrusion or potentially damaging leaks
  - f. Identify any defective building conditions that would likely lead to future water intrusion or potentially damaging leaks
  - g. Provide Freddie Mac with a comprehensive report on the inspection.

**8SBL.4    Occupancy (09/30/20)**

For an SBL Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must have a minimum stabilized average physical occupancy of 90 percent for the trailing three-month period prior to underwriting and for the month immediately preceding submission of the full underwriting package to Freddie Mac.

**8SBL.5    Zoning and building code conformity; certificates of occupancy (09/26/19)**

- a. For an SBL Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must conform to all applicable zoning, subdivision and use laws, ordinances or codes and local building and housing codes. A zoning report is not required for an SBL Mortgage.
- b. The Seller must confirm that all certificates of occupancy required for the use, operation and occupancy of the Property for its presently-contemplated use have been issued and are in effect or, if certificates of occupancy are not available, that the absence of any certificate of occupancy is not a violation of local laws, ordinance, or codes, nor will it give rise to any enforcement action affecting the Property.
- c. If the Seller cannot confirm the requirements regarding certificates of occupancy specified in Section 8SBL.5, then Freddie Mac may purchase the SBL Mortgage only if all the following requirements are satisfied with respect to each unit for which such confirmation cannot be obtained (each a “Non-Permitted Unit”):
  - The underwritten income from the Property must exclude the gross potential rent (GPR) for any Non-Permitted Unit and the total unit count must not include the Non-Permitted Unit.



- The underwritten expenses for the Property (including management fee and Replacement Reserves) must include all expenses attributable to all Non-Permitted Units.
- The Non-Permitted Units must be excluded from any determination of whether minimum occupancy requirements are satisfied.
- The Appraisal must not include any Non-Permitted Unit or any income derived from any Non-Permitted Unit in either the direct cap or final as-is valuation.
- The insurance for the Mortgaged Property must include full coverage for all Non-Permitted Units and may not contain any exclusion based on the lack of a certificate of occupancy for any Non-Permitted Unit.
- The SBL Physical Risk Report must specifically note the condition of each Non-Permitted Unit is compliant with all local laws related to habitability. Generally, such units must have direct ingress/egress, windows in bedrooms and Essential Facilities. Electrical and plumbing must be consistent with the rest of the building. The SBL Physical Risk Report may include Non-Permitted Units in the total unit count but must note that such units lack a certificate of occupancy or equivalent.
- The Borrower and Guarantor will be liable for any loss, damages or costs suffered by the lender as a result of the use of any Non-Permitted Units.
- For each Non-Permitted Unit, the Borrower will be required to diligently proceed with and complete one of the following remedies, as soon as practicable after the origination of the SBL Mortgage, at the Borrower's election:
  - (i) Obtain a certificate of occupancy for the Non-Permitted Unit
  - (ii) Obtain one of the following, confirming that the absence of a certificate of occupancy will not give rise to any enforcement action affecting the Mortgaged Property:
    - Zoning report
    - Written statement/certification from the applicable governmental authority
    - Opinion of legal counsel
  - (iii) Cease to use the Non-Permitted Unit for residential or commercial purposes, as applicable
- d. If the Property does not conform to current zoning regulations, including those governing density, building restriction lines, size or parking, Freddie Mac may purchase the SBL Mortgage for the Property if one of the following requirements is met:
  - Full Restoration - The Seller must submit documentation that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration



must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Freddie Mac may request that Single Counsel submit a written evaluation of the legislation or variance and its applicability to the Property.

- **Limited or Conditional Restoration** - If the Seller cannot provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the SBL Mortgage for purchase, the Seller must submit a damage restoration statement from the zoning authority that does each of the following:
  - a) States the requirements of the current zoning classification (i.e., the number of units that could be rebuilt or the set back that would be required under current zoning).
  - b) Specifies the percentage of damage to the Property's market, replacement, or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.

**8SBL.6 Independent Property (09/26/1904/22/25)**

**a. General Requirements (06/30/16)**

Except as set forth in this Section 8SBL.6, Freddie Mac requires that a Property be an "Independent Property". An Independent Property is a Property that satisfies all of the following conditions:

1. Has direct access to a publicly dedicated and maintained street for all improvements and parking spaces without reliance on any easements
2. Contains the Essential Facilities needed to operate independently
3. Contains Recreational Facilities needed to operate independently
4. Is located on contiguous parcels of land; parcels separated only by a public right of way will be considered contiguous
5. Is financially viable and independent of all other properties, including other properties in the same phased development, if applicable





**b. Essential Facilities and Recreational Facilities (06/30/16)**

“Essential Facilities” include the following, if applicable:

- Leasing offices
- Model units
- Parking required for the Property to comply with zoning laws and regulations
- Utility and maintenance buildings
- Heating and cooling systems
- Privately owned/operated utilities
- Pedestrian ingress/egress points (including connecting bridges, tunnels, or walkways)

“Recreational Facilities” include the following, if applicable:

- Swimming pools
- Tennis, basketball and/or other hard-surface courts
- Playgrounds
- Indoor recreation centers, club houses, and gym facilities
- Other recreational facilities
- Laundry facilities, if the units are not equipped with a washer/dryer
- View easements
- Air rights

**c. Purchase of an SBL Mortgage secured by a Property that is not an Independent Property (09/26/1904/22/25)**

Freddie Mac will consider purchasing an SBL Mortgage secured by a Property that is not an Independent Property provided all the following requirements are satisfied:

1. Seller’s underwriting package must identify that the Property is not an Independent Property and describe what features/circumstances prevent the Property from being an Independent Property and analyze the impact of these features/circumstances on the Property and the SBL Mortgage.
  - For a Property with access via an easement, Seller must describe the access easement and the nature/type of property that Borrower must cross to reach the public right of way



- For a Property that relies on Essential Facilities and Recreational Facilities located on another property, Seller must list which Essential or Recreational Facilities are located on the Property and which are located off-site, and must describe the off-site Essential or Recreational Facilities and their owner(s). Seller must also analyze the feasibility and practicality of Borrower creating or constructing the identified off-site Essential Facilities or Recreational Facilities on the Property. This analysis must include financial considerations as well as zoning issues and the availability of land.
2. Seller's underwriting package must include either (i) confirmation from Single Counsel that any easement, Shared Use Agreement for Essential or Recreational Facilities, and/or any scattered site Property comply or will comply as of the Origination Date with the requirements set forth in this Section 8SBL.6, or (ii) a detailed analysis of which requirements will not be satisfied, and Single Counsel's recommendation as to whether and why Freddie Mac should accept the non-compliant easement, Shared Use Agreement, and/or scattered site Property.

Freddie Mac's approval of any non-compliant provisions in the easement and/or Shared Use Agreement does not discharge or limit the Seller's liability for breach of any warranties made under the Purchase and Servicing Documents. See Section [29SBL.229.2](#) for more information on title exceptions.

3. Freddie Mac will require that the Borrower be personally liable for any loss or damages incurred by Freddie Mac because the Property is not an Independent Property and may require one or more of the following as a condition to Freddie Mac's agreeing to purchase the SBL Mortgage:
- If Freddie Mac determines that it is feasible to create or construct Essential Facilities, Recreational Facilities or direct primary access, Freddie Mac may require the Borrower to make the necessary modifications so that the Property meets all of the requirements for an Independent Property
  - Freddie Mac may require the Borrower to establish a Reserve of the funds necessary to make the required modifications at a later date determined by Freddie Mac
4. If the Property is accessed via an easement, all of the requirements of Section 8SBL.6(d) are satisfied.
5. If the Property does not contain the Essential Facilities needed to operate independently, all of the requirements of Section 8SBL.6(e) are satisfied.
6. If the Property does not contain the Recreational Facilities needed to operate independently, all of the requirements of Section 8SBL.6(e) are satisfied.
7. If the Property is located on non-contiguous parcels of land (Linked Buildings) the transaction must be prescreened by Freddie Mac.



**d. Indirect access (access via easement) (06/30/16)**

Freddie Mac will consider purchasing an SBL Mortgage secured by a Property with primary access to a public right of way via an easement, provided all of the following requirements are satisfied:

1. The easement must provide safe ingress/egress to a publicly dedicated and maintained street.
2. The Property must have good visibility from the public street it accesses via the easement.
3. The easement must be wide enough to provide satisfactory fire/police/utility access and to handle all current and foreseeable types of traffic.
4. If the easement represents a shared access with, or through, another property, the Property must be able to operate satisfactorily without adverse effects (now or in the future) from the other properties that share such access.
5. Signage (if applicable) must be of sufficient size so that it is clearly visible from the public street.
6. The easement must be perpetual.
7. Each party's rights and responsibilities under the easement (including expenses) and remedies in the event of a breach by any other party must be generally acceptable to a prudent lender.
8. The easement may not allow for loss of use in the event of a breach. However, the easement may permit the placement of a lien which is subordinate to the SBL Mortgage for unpaid maintenance costs for the easement.
9. The easement must be recorded in the applicable land records for the jurisdiction prior to the Freddie Mac Funding Date and must be included in the insured legal description of the Property.
10. Seller must include in the underwriting package either a copy of the existing survey, tax map, or satellite images of the Property detailing the location of the easement as well as photographs taken from the public street showing the view of the Property from the public street and the location of the easement as well as the signage for the Property.
11. Seller must provide the appraiser with all information regarding the easement.
12. Seller must notify Freddie Mac and the appraiser if it learns of any circumstances that might limit access to the Property.

**e. Shared Essential Facilities and Recreational Facilities; Shared Use Agreement (06/29/17)**

Freddie Mac will consider purchasing an SBL Mortgage on a Property that utilizes Essential Facilities or Recreational Facilities that are not located on the Property and under the exclusive control of the Borrower, provided all of the following requirements are satisfied:



1. There is a written Shared Use Agreement in place between the Borrower and the party controlling the applicable Essential Facilities or Recreational Facilities.
2. The Shared Use Agreement must be recorded in the applicable land records for the jurisdiction prior to the Freddie Mac Funding Date and must be included in the insured legal description of the Property.
3. The Shared Use Agreement must contain a stipulation that access to and use and enjoyment of the Essential Facilities and/or Recreational Facilities are perpetual and that such rights will inure to the benefit of all future owners of the Property.
4. Each party's responsibilities and share of expenses under the Shared Use Agreement must be stipulated and generally acceptable to a prudent lender.
5. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Use Agreement may not allow for loss of use in the event of a breach. However, the Shared Use Agreement may permit the placement of a lien which is subordinate to the SBL Mortgage for unpaid maintenance costs.
6. The Seller/Serviceicer must provide the appraiser with all information regarding the Shared Use Agreement.
7. The Seller/Serviceicer must notify Freddie Mac immediately if the Seller/Serviceicer learns of any circumstances that might limit the access to or the use or enjoyment of the Essential Facilities and/or Recreational Facilities.

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

**8SBL.7 Tax parcels, taxes and utilities (06/30/16)**

**a. Tax parcels (06/30/16)**

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

**b. Taxes and utilities (06/30/16)**

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

**8SBL.8 Owner-Occupied units (06/29/17)**

If one or more units at a Property is occupied by either a Borrower, a Borrower Principal (including a Guarantor) or a family member of a Borrower or Borrower Principal ("Owner-Occupied Unit"), then one of the following two conditions must be satisfied:



1. The Property satisfies the minimum DCR requirement for the Mortgage after both (i) excluding the gross potential rent (GPR) of the Owner-Occupied Unit(s) from the underwritten income and (ii) including all expenses attributable to the Owner-Occupied Unit(s).

For each commercial lease, the Seller must submit a Commercial Lease Analysis and Estoppel – SBL in the full underwriting package (see Chapter 55SBL for additional details regarding this requirement). If income from any one commercial lease represents five percent or more of gross potential rent (GPR) for the Property, the Commercial Lease Analysis and Estoppel – SBL must be signed by the commercial tenant.

2. The SBL Mortgage meets all the following characteristics:
  - (i) The Borrower is an entity
  - (ii) The Borrower provides evidence of trailing one-month collections for each Owner-Occupied Unit
  - (iii) The Property has a minimum DCR of 1.00x after both (1) excluding the GPR of the Owner-Occupied Units and (2) including all expenses attributable to the Owner-Occupied Units
  - (iv) The Property satisfies the minimum DCR requirement for the Mortgage after including the GPR and expenses attributable to the Owner-Occupied Units

For the purposes of this Section 8SBL.8, “family member” means any of the following:

- Spouse
- Child (including step-children)
- Parent (including step-parents and in-laws)
- Grandparent (including step-grandparents and in-laws)
- Sibling (including step-siblings and in-laws)
- Aunt or uncle (including step-aunt, step-uncle and in-laws)
- Niece or nephew (including step-niece, step-nephew and in-laws)

**8SBL.9    Reserved (06/30/16)**

**8SBL.10    No condemnation or other adverse circumstances—Property (06/30/16)**

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



**8SBL.11 Nonresidential leases (06/29/1704/22/25)**

**a. General (06/30/1604/22/25)**

For the purposes of this section, the term “commercial lease” refers to any non-residential lease under which the Borrower is the lessor (excluding ground leases, which are addressed separately in this Guide), including ~~telecommunication agreements~~Infrastructure Agreements (as defined in Section ~~29SBL.28.22~~ and further addressed in Section 8SBL.11(g) below), leases for retail space, office space, laundry facilities, cellular communication equipment, billboards, and petroleum products/minerals.

**b. Analysis (06/29/17)**

If income from any one commercial lease represents five percent or more of the gross potential rent of the Property, the Seller must submit a Commercial Lease Analysis and Estoppel – SBL, signed by the tenant, in the full underwriting package for each such lease. Freddie Mac, in its sole discretion, may require a Commercial Lease Analysis and Estoppel – SBL in other circumstances as it deems appropriate.

See Section 55SBL.2 regarding commercial lease documentation required in the full underwriting package.

**c. Tenant improvements and leasing commissions (06/30/16)**

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

**d. Reserved (06/30/16)**

**e. Subordination, nondisturbance and attornment (SNDA) (06/30/16)**

In its sole discretion, Freddie Mac may enter into a subordination, nondisturbance and attornment agreement with a commercial tenant that is not an affiliate of the Borrower and/or a Borrower Principal.

**f. Subordination of a commercial lease with Affiliate (06/30/16)**

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



**g. Infrastructure Agreements (04/22/25)**

A lease created pursuant to an Infrastructure Agreement (as defined in Section 8.22) is acceptable for an SBL Property, provided, in addition to the requirements specified in Section 8.22, that it (a) contains terms and provisions, including compensation, that are customary for the market in which the Property is located, and (b) does not impose any financial obligations equal to or greater than \$50,000 on the Property owner, and does not impose any financial obligations on any mortgagee, and/or subsequent owner by foreclosure, deed in lieu of foreclosure or other conveyance (including reimbursement of any up-front fee paid by the provider to the Property owner upon termination of the agreement).

A Solar Agreement (as defined in Section 8.21) is a type of Infrastructure Agreement subject to additional Guide requirements. Although not generally permissible in connection with the origination of an SBL Mortgage, Freddie Mac may consider purchasing an SBL Mortgage secured by a Property that is subject to a Solar Agreement if the Solar Agreement satisfies the requirements specified in Section 8.21.

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**8SBL.12 Subordinate Financing (06/30/16)**

Freddie Mac will only permit SBL Subordinate Financing as described in Section 43.30.

**8SBL.13 General property management requirements (04/13/23)**

At all times, the Borrower either must manage the Property or provide for professional management of the Property by a property management company meeting the requirements of the Loan Documents.

A third-party management company will be required if, at the time of Seller Application, there is no individual with Control over the Borrower who resides less than 100 miles from the Property.

However, as an exception to the above, a third-party management company will not be required if at least one Key Borrower Principal with Control of the Borrower meets the requirements of Section 9SBL.2(c)2. No property management company will be acceptable if the property management company appears on the Freddie Mac Exclusionary List or the Multifamily Restricted Vendor List, each of which is available on FreddieMac.com.

See Section 2.18 regarding the Freddie Mac Exclusionary List.

The Servicer must not obtain an Assignment of Management Agreement and Subordination of Management Fees for loans purchased under the Freddie Mac Small Balance Loan Program.

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

**8SBL.14 SBL Mortgages ineligible for purchase (~~12/15/22~~04/22/25)**

An SBL Mortgage is ineligible for sale to Freddie Mac if any of the following circumstances apply:



- ~~The Property receives any of the following:~~
  - ~~Local rent subsidies for greater than 10 percent of the units~~
  - ~~Local rent subsidies for 10 percent or fewer of the units, but the subsidy is contingent on the owner's initial or ongoing certification of each tenant's eligibility~~
  - ~~Federal rent subsidies (for example, project-based Section 8 HAP program or a similar Federal program)~~
- The Property is encumbered by any of the following:
  - A regulatory agreement that imposes income and/or rent restrictions if there are funds related to the regulatory agreement that have not yet been disbursed to the Borrower
  - A regulatory agreement that encumbers any property other than the Property
  - A Low-Income Housing Tax Credit (LIHTC) land use restriction agreement (LURA) in compliance years 1-12
  - A Private Transfer Fee Covenant that was created on or after February 8, 2011
  - A HUD foreclosure deed restriction or similar restriction
- Project-based Section 8 HAP program or similar Federal program
- The Property benefits from any of the following:
  - Tax exempt bond interest reduction payments (IRPs)
  - Historic Tax Credits (HTCs) that require a master lease structure
- The Property has any of the following tenant characteristics:
  - Seniors housing with resident services
  - Greater than 50 percent concentration of student tenants (whether graduate or undergraduate)
  - Greater than 50 percent concentration of military tenants
- The Property has a Scenario Expected Loss-475 (SEL-475) greater than 40 percent, as determined by a Seismic Risk Assessment (SRA), and the affected buildings have not undergone a seismic retrofit (see Chapter 64SBL for further information on seismic risk assessments)

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- The Property is in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA) and the community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available

**8SBL.15 Property inspections and lease audits (06/13/24)**

The Seller must inspect the Property, audit leases and submit the required Property Inspection and Lease Audit form.

An inspector employed by the Seller who is familiar with evaluating multifamily asset quality must review the age, condition and quality of all major asset components. None of the following individuals may perform the inspection:

- A third-party contractor engaged by the Seller
- Any employee of the Seller responsible (individually or as part of a team) for originating the Mortgage
- Any employee of the Seller directly benefitting financially or otherwise from the origination of the Mortgage

At least two Business Days prior to the scheduled site inspection, the Seller must deliver a rent roll dated within seven Business Days to Freddie Mac.

**a. Reserved (10/12/17)**

**b. Complete property inspection and lease audit (04/18/24)**

At full underwriting, the Seller must conduct a complete property inspection including, but not limited to, the following:

1. The unit inspection must include the following:
  - A minimum number of residential units as follows:
    - The greater of 10 percent of the total number of units at the Property or five units. Inspected units should include a representative sample of vacant units, occupied units, unit types and floor levels, including top floor and bottom floor units. If inspecting the greater of 10 percent of the total number of units or five units results in an insufficient number of inspected units to meet lease audit requirements, then additional units must be inspected to meet those requirements.
  - All Down Units
  - All commercial/non-residential units
  - A representative sample of units with corporate leases



2. Prior to the date of the inspection, unless delegated to the Seller, Freddie Mac must select units for the inspection and the Seller must instruct Borrowers to provide notices to the selected units:
- For Properties located in Very Small Markets, the Borrowers must provide notification to all tenants that a site inspection is pending.
  - For Properties in all other markets (Top, Standard, or Small Markets), the Borrower must provide advance site inspection notifications to a minimum of twice the required number of units for inspection. If a Property has ten or fewer units, the Borrower must provide notification to all tenants. The number of selected units for which the Borrower must provide notification to tenants must be sufficient for the inspected units to meet lease audit requirements. If the selected units are not sufficient, the Seller must select additional units for which the Borrower must provide notification to tenants.

The inspector may require access to more or different units than those to which the Borrower provided notifications. If the Borrower cannot provide the inspector access to those units, the inspection must be rescheduled and those units inspected before the inspection is deemed complete.

3. On the day of the inspection, an appropriate sample of units must be identified to inspect from the selected units, ensuring that the minimum number of units are inspected and that the inspected units are sufficient to meet lease audit requirements. If Freddie Mac is on-site and participating in the inspection, Freddie Mac will select the units to be inspected. If Freddie Mac is not present, the Seller will select units to be inspected. Neither the Borrower nor the property manager may select or recommend units to be inspected.

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

4. The Seller must interview the property manager, if applicable, to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.
5. The Seller must inspect each building, including exteriors and all common spaces to include the following:
- Roof access should be gained if not clearly visible from the ground (flat roofs).
  - Inspect a representative sample of ongoing or recently completed unit renovations, if applicable
  - Verify reported completed or in process capital improvements
    - Verification may also be supplemented through review of the Appraisal, Physical Risk Report, or SBL Cash Out Analysis following submission of the full underwriting



- package
- If none of the above are sufficient to verify completion of the capital improvements or unit renovations, the UW must require proof of completed capital improvements or unit renovations (such as invoices, etc.)
  - Inspect amenities available to tenants at the Property
  - Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation
  - Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems
6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.
7. The Seller must conduct a market analysis to include the following:
- Drive by identified rental comparables
  - Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket
  - Take photographs of rental comparables when unique issues or material concerns exist
  - If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket
8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:
- Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.
  - Current rent roll from the property manager that was used to prepare the property inspection including the full tenant names, current lease start and end dates and unit occupancy status
  - A sample or unexecuted residential lease or an executed lease with any personal or private information redacted
  - Completed Property Inspection and Lease Audit form to reflect a lease audit of:
    - If the Property has 15 or fewer total units, 100 percent of occupied units capped at 10 units, or



- If the Property has more than 15 total units, the greater of 25 percent of all units or 10 units, up to a maximum of 30 units, unless otherwise required by Freddie Mac or the Seller

Additionally, the audited leases: (i) must include all occupied units inspected and (ii) should be selected by the person conducting the inspection. Also, if lease files are maintained on-site, the lease audit must be conducted at the time of the site inspection. The lease audit must also include representative samples of:

- Leases from any inspected corporate units
- Leases signed within the last 60 days
- Effective for transactions taken under application on or after April 18, 2024, validation of leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional payments (e.g., late fees or other one-time charges).

The Seller/Servicer must retain electronic or hard copy records evidencing Seller's compliance with the verification requirements in this section.

- An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8SBL.15(b)
  - Documentation of complete property inspection in accordance with this section
  - If Freddie Mac has delegated the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement. Delegation to the Seller must be approved by Freddie Mac and is permitted on an exception basis only.

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

The inspection and lease audit requirements of Section 8SBL.15(b) must have been completed within 90 days of Freddie Mac's receipt of the full underwriting package.

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



**8SBL.16    Reserved (03/03/17)**

**8SBL.17    SBL Physical Risk Report (12/12/24)**

This section sets forth the requirements, duties and responsibilities of the Seller/Service once the SBL Physical Risk Report has been completed by the physical risk consultant. See Chapter 62SBL for the following:

- The physical risk consultant's requirements for evaluating the physical condition of the Property and completing Form 1104, SBL Physical Risk Report
  - The Seller's requirements for retaining a physical risk consultant and reviewing Form 1104
1. Freddie Mac requires the Seller/Service to submit an SBL Physical Risk Report meeting the requirements of Chapter 62SBL before Freddie Mac will issue a Letter of Commitment to purchase an SBL Mortgage.
  2. Once the Seller has received and reviewed Form 1104, the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Section 62SBL.3(b), including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Small Balance Loan Team* of unusual or questionable conditions.
  3. Additionally, the Seller must:
    - Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment
    - Prepare Loan Documents which include completion, reserve funding, and other requirements for Capital Replacements and Repairs required by the Letter of Commitment, as applicable
    - Provide a copy of the completed SBL Physical Risk Report to the Borrower so that the Borrower is aware of the Priority Repairs (including PR-90 Repairs), as defined in Section 62SBL.3(b), that must be completed by the Borrower per the Loan Document requirements
  4. If any of the following conditions exist at the Property and become Priority Repairs, Freddie Mac will require a Reserve for all identified Priority Repairs (including PR-90 Repairs):
    - The estimated cost to complete all Priority Repairs (including PR-90 Repairs) identified in the SBL Physical Risk Report is \$25,000 or greater, or
    - The Property receives an "Overall Property Condition Rating/Capital Needs Over the Loan Term" rating of "Below Average" or lower in the SBL Physical Risk Report, or "Poor" in the Seller and/or Freddie Mac inspection, or



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

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

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

If the Priority Repairs exceed \$75,000 or have a material repair more likely to impact habitability as described in 8SBL.17(4), the Seller must submit a remediation plan from the Borrower as to their intended methodology for remediating all repairs within the required time frame. See Guidance – Priority Repair Remediation Plan at [mf.freddie.mac.com/lenders/uw](https://mf.freddie.mac.com/lenders/uw).

**8SBL.18 Condominiums (06/29/18)**

**a. Condominiums (10/12/17)**

Freddie Mac will consider purchasing an SBL Mortgage that is secured by a security interest in Property that is subject to a condominium regime (“Condominium” or “Condo”) only if it is a 100 percent Borrower-owned Condo. The following additional requirements must be satisfied:

- The Appraisal must indicate that the Property is a 100 percent Borrower-owned Condo.
- The Letter of Commitment may require certain modifications to the Loan Agreement and the Security Instrument.

**b. Reserved (06/29/18)**

**c. Reserved (06/30/16)**

**d. Reserved (06/30/16)**



**e. Reserved (03/03/17)**

**8SBL.19 Tax abatements (04/14/22)**

**a. Tax abatement definition and overview (06/30/16)**

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

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

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

**1. Program eligibility**

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

- Obtain and review the documents required for program eligibility listed in the Tax Abatement/Exemption Analysis – SBL, and
- Include in the applicable underwriting package the Tax Abatement/Exemption Analysis – SBL and the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL

**2. Statutory approval**

The applicable statute for the tax abatement must be in force at the time that the Seller/Servicer submits the full underwriting package to Freddie Mac.

**3. Continuation of tax abatement**

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

- The nature of the tax abatement, that is, the length of the abatement and phase-out, if any
- The requirements of the governing authority



- What happens to the tax abatement if the Property is transferred by sale or through foreclosure
- Whether the tax abatement is freely transferable upon sale, foreclosure or similar disposition of the Property, or dependent on the non-profit status of the Borrower and/or Borrower Principal or other non-profit entity in the ownership structure, or other criteria

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

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

1. For all tax abatements, the Seller/Servicer must include in the applicable underwriting package the evidence of tax abatement documentation listed in Section 55SBL.2.

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

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

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

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

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

- Prepare the Tax Abatement/Exemption Analysis – SBL ,
- Include the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL, and
- Respond to any issues raised by the Multifamily Attorney

**d. Collateral valuation for tax abatement (06/30/16)**

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





**e. Refinance test and DCR calculation for Properties with tax abatements (06/30/16)**

**1. Refinance test for all SBL Mortgages underwritten with tax abatements**

Freddie Mac performs a refinance test as follows:

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

**2. DCR calculation for all SBL Mortgages underwritten with tax abatements**

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

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

For all other SBL Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow analysis to show the effect on NOI of any decrease in the tax abatement for the term of the SBL Mortgage plus 10 years.

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# Multifamily Seller/Service Guide

## Chapter 9

### Borrower/Borrower Principal Fundamentals



#### 9.1 Introduction (09/08/04)

#### 9.2 Borrower requirements (02/27/25)

- a. General Borrower requirements (12/12/24)
- b. Single Purpose Entity (SPE) requirements; newly-formed vs. recycled entities (05/01/14)
- c. SPE Equity Owners (05/01/14)
- d. Key Borrower Principal due diligence (02/27/25)
- 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 (04/22/25)

- a. ~~Unacceptable persons or entities (04/13/23)~~ Unacceptable persons or entities (04/22/25)
- b. Potentially unacceptable persons or entities (04/13/23)

#### 9.4 Land trusts (03/03/14)

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- a. Revocable and irrevocable trusts (06/15/23)
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#### 9.10 Investment fund (12/14/17)

- a. Investment fund requirements (12/14/17)
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9.11 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.

See Chapter 9SBL for Freddie Mac's Borrower and Borrower Principal requirements for an SBL Mortgage.

## 9.2 Borrower requirements (02/27/25)

### a. General Borrower requirements (12/12/24)

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
  - Unincorporated business trust such as a Massachusetts business trust, or
  - Tennessee obligated member entity
3. The Borrower must be an entity formed in the United States.



4. The Borrower is not permitted to be a pension, retirement fund or account.
5. For any Mortgage with a Guarantor, at least one Guarantor must have Control of the Borrower (including through an entity), unless previously disclosed to and approved by Freddie Mac.
6. Seller must immediately notify Freddie Mac if any Key Borrower Principal, or Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.
7. 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 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 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.freddiemac.com/lenders/legal](http://mf.freddiemac.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. Key Borrower Principal due diligence (02/27/25)**

If a Key Borrower Principal falls under one of the categories noted below, then the Key Borrower Principal may be subject to additional due diligence requirements, as outlined in Section 11.6, Section 55.2, and/or the underwriting checklists:

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- **First-Time Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in a similar role in the past 10 years with Freddie Mac
- **Limited Multifamily Experience Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has had Control of at least 5 properties in the past 5 years, the majority of which are or were substantially similar to the Property in the number of units or type of property
- **Rapid Growth Sponsor:** Effective for transactions taken under Seller Application on or after February 27, 2025, when the Key Borrower Principal meets the following conditions:
  - (i) Controls at least 15 multifamily properties, and
  - (ii) At least 50% of the multifamily properties Controlled by Key Borrower Principal were purchased within the past three years

Notwithstanding that a Key Borrower Principal meets the above conditions, it will not be considered a Rapid Growth Sponsor if the Key Borrower Principal's Ultimate Control, if applicable, provides appropriate supporting documentation evidencing that such Ultimate Control does not meet the above conditions.

**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 and Non-U.S. Equity Holders (04/13/23 04/22/25)**

**a. Unacceptable persons or entities (04/13/23 04/22/25)**

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 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:



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~~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.

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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/Servicer'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 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, the trustee is authorized to guarantee the debts of another entity.
- e. If the trust is the Guarantor, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the 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/Service'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/Service'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 organizational documents (06/30/15)

The Seller/Servicer'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 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, 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 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/Servicer'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/Servicer'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/Servicer'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"

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

1. Prior to issuance of the Quote, the Seller/Service 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/Servicer's counsel must deliver the Equity Analysis no later than the delivery of the full underwriting package.
3. Seller/Servicer 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/Servicer'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.

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

If any 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 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 (02/22/24)

A Foreign Guarantor is one 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



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, 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/Service'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/Service's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:33:41 PM</b>	
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<b>Total Changes:</b>	14

# Multifamily Seller/Service Guide

## Chapter 9SBL

### SBL Borrower/Borrower Principal Fundamentals



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

9SBL.2 ~~Borrower and Borrower Principal requirements (02/27/25)~~Borrower and Borrower Principal requirements (04/22/25)

- a. General Borrower requirements (12/12/24)
- b. Borrower Single Asset Entity (SAE) and Restricted Multiple Asset Entity (Restricted MAE) requirements (06/16/22)
- c. Borrower Principal, Key Borrower Principal (including Guarantor) requirements (02/27/25)
- d. ~~Guarantor requirements (02/27/25)~~Guarantor requirements (04/22/25)
- e. 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 (04/22/25)

- a. ~~Unacceptable persons or entities (04/13/23)~~Unacceptable persons or entities (04/22/25)
- 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 Preferred Equity (04/18/24)

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

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

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





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

This chapter details Freddie Mac's Borrower and Borrower Principal requirements for a Small Balance Loan (SBL) Mortgage. These requirements may also apply to Special Servicing Requests when appropriate.

## 9SBL.2 Borrower and Borrower Principal requirements (~~02/27/25~~04/22/25)

### a. General Borrower requirements (12/12/24)

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
  - Tennessee obligated member entity
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.

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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, Key Borrower Principal (including Guarantor) requirements (02/27/25)**

1. General Requirements. 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:



- Either be a United States citizen or lawful permanent resident of the United States, and be residing in the United States, or
- An individual meeting the Foreign Borrower Principal requirements in Section 9SBL.2(e)
- Key Borrower Principals that directly or indirectly control an entity Borrower must either be an entity formed in the United States, or an individual that is a citizen or lawful permanent resident of the United States.
- 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
  - Manage and/or own United States real estate assets other than the subject Property and have a demonstrated understanding of United States real estate practices.

Seller must immediately notify Freddie Mac if any Key Borrower Principal, or any Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.

2. Key Borrower Principal Requirements. In addition to the requirements set forth above, at the time of the “as of date” of a compliant Form 1116, Real Estate Schedule, Seller Application, or submission of the full underwriting package, at least one Key Borrower Principal 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.
3. Key Borrower Principal Due Diligence. For each Key Borrower Principal with Ultimate Control or Guarantor meeting the following conditions:
  - (i) Does not individually meet the criteria noted in Section 9SBL.2(c)(2) above when the Seller/Service received Freddie Mac approval to deliver a full underwriting package, or



(ii) Is a First-Time Sponsor or Rapid Growth Sponsor, both of which are defined below, then the Seller/Servicer must provide each of the following in its underwriting package:

- Liquidity Verification documentation (See Section 55SBL.2)
- A Form 1116, [Real Estate Schedule](#), that complies with the verification and record retention requirements set forth in Section 11.6(b) and (c).

**First-Time Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in a similar role in the past 10 years with Freddie Mac.

**Rapid Growth Sponsor:** Effective for transactions taken under Seller Application on or after February 27, 2025, when the Key Borrower Principal meets the following conditions:

- (i) Controls at least 15 multifamily properties, and
- (ii) At least 50% of those multifamily properties Controlled by Key Borrower Principal were purchased within the past three years

Notwithstanding that a Key Borrower Principal meets the above conditions, it will not be considered a Rapid Growth Sponsor if the Key Borrower Principal's Ultimate Control, if applicable, provides appropriate supporting documentation evidencing that such Ultimate Control does not meet the above conditions.

**d. Guarantor requirements (02/27/2504/22/25)**

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, including any adjustments required for Guarantors meeting the criteria set forth in Section 9SBL.2(c)(3)
- 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
- 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 (Equifax, TransUnion or Experian). If less than three FICO scores are available, all FICO scores must be 680 or better



- If an entity, must provide evidence of at least twice the minimum net worth and Liquidity requirements

**e. Foreign Borrower Principal (including Foreign Guarantor) (02/22/24)**

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

Freddie Mac may also approve such a Borrower Principal as a 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 (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, 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 one or more Foreign Guarantor(s) and no financially compliant U.S. Guarantor, the minimum Foreign Guarantor net worth and Liquidity requirements may be satisfied in the aggregate by the Foreign Guarantors and any non-compliant U.S. 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 (04/13/2304/22/25)**

**a. Unacceptable persons or entities (04/13/2304/22/25)**



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 or any person or entity that is proposed as a potential Borrower, Borrower Principal or 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~~ 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 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, 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 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) 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 Preferred Equity (04/18/24)**

Preferred Equity is not permitted in SBL.

**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.

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.

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# Multifamily Seller/Servicer Guide

## Chapter 11

### Miscellaneous Fundamentals



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- e. Seller/Servicer responsibilities regarding letters of credit (08/18/22)
- f. Documents to be delivered to Freddie Mac (06/29/17)
- g. Change in issuer's Freddie Mac approval status (06/29/17)
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- i. Presentation of letter of credit (10/07/08)
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#### 11.7 ~~Historical property financial statement reconciliation for Refinances of Freddie Mac Mortgages and Supplemental Mortgages (08/15/24)~~ Historical property financial statement reconciliation for Refinances of Freddie Mac Mortgages and Supplemental Mortgages (04/22/25)

- a. ~~Reconciliation applicability (08/15/24)~~ Reconciliation applicability (04/22/25)
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11.8 Impact of a natural disaster or weather-related adverse condition (12/12/24)

- a. Applicability (12/12/24)
- b. Types and Status of Mortgage Loans (12/12/24)



## 11.1 Introduction (09/08/05)

This chapter details Freddie Mac's miscellaneous requirements. These requirements may also apply to Special Servicing Requests.

## 11.2 Letters of credit (08/18/22)

### a. General requirements for a letter of credit (04/15/21)

Freddie Mac will accept a letter of credit in the following circumstances:

- As part of the Seller/Servicer's good faith deposit delivered as security for part of the Seller's obligations under an early rate-lock application under Chapter 27 (see Section 27.10), so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As security for the Borrower's obligations (for example, under a Rental Achievement Agreement or any other agreement for Reserves), subject to Freddie Mac's approval, so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As collateral held until stabilization in connection with a transaction under the Moderate Rehabilitation (Mod Rehab) with LIHTC product; or
- As security for the Borrower's obligations under a Forward Commitment issued by Freddie Mac; or
- As security for the Seller/Servicer's Reimbursement Obligations under its Master Agreement; or
- As security for the SBL Seller/Servicer's SBL Obligations under Chapter 46SBL.

Additional requirements:

- Any letter of credit must be obtained from a person or entity other than the Borrower or any SPE Equity owner, and
- No Borrower or SPE Equity Owner may have any liability or other obligations under any reimbursement agreement with respect to any letter of credit or otherwise in connection with reimbursement to the issuer for draws on such letter of credit.

Freddie Mac, in its discretion, may accept a letter of credit in other circumstances if the letter of credit meets all of the requirements set forth in this section.

### b. Issuer and issuer's rating (12/12/14)

At the time of issuance of the letter of credit (including any renewal, replacement or amendment of an existing letter of credit), the issuer of the letter of credit must be listed on the Approved Counterparties List. If the issuer of the letter of credit is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed Counterparty Approval Request.



Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following issuers of letters of credit are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower.

At the time of issuance of the letter of credit to the Seller/Servicer, the issuer of a letter of credit must be a domestic Eligible Institution or an agency or branch of a foreign Eligible Institution located in the United States. If at any time the issuer of the letter of credit ceases to be an Eligible Institution, Freddie Mac or its successors and assigns will have the right to immediately draw down the letter of credit in full and hold the proceeds of such draw in accordance with the applicable provisions of the Loan Documents.

Any letter of credit must be freely assignable by Freddie Mac and its successors and assigns without any consent or approval of the issuer of such letter of credit and without cost to Freddie Mac or its successors and assigns. All letters of credit must have an acceptable assignment form attached to them when delivered in the Purchase Final Delivery Package.

Freddie Mac may withdraw approval of a letter of credit issuer at any time for any reason. See Section 11.2(g) for additional information.

**c. Issuer's security (02/28/11)**

For all Mortgages, the issuer may not have a lien on all or part of the Property or related personal property as collateral for the Borrower's obligations to the issuer without Freddie Mac's prior written consent.

**d. Form of letter of credit (06/29/17)**

The letter of credit must:

1. Be a clean, irrevocable, unconditional standby letter of credit
2. Be issued for the account of the Borrower in the case of a Borrower obligation, or for the Seller/Servicer's account in the case of the Seller/Servicer's obligation
3. Name Freddie Mac as the sole beneficiary
4. Be in the amount determined by Freddie Mac
5. Have an initial term of:
  - Not less than six months for a letter of credit issued in connection with an early rate-lock application that does not have an extended term
  - Not less than twelve months for a letter of credit issued in connection with a Rental Achievement Agreement or any other agreement for Reserves, debt service Reserve or an early rate-lock application with an extended term



- Not less than 60 days following the maturity date of the Forward Commitment for a letter of credit issued in connection with a Forward Commitment
  - Not less than 60 days after the end of the Mod Rehab period for a letter of credit issued in connection with a transaction under the Mod Rehab with LIHTC product
  - Not less than 12 months following its delivery date to Freddie Mac for the Seller/Service's SBL Obligations under Chapter 46SBL; such letters of credit must also be renewable by amendment for a letter of credit issued as collateral
6. Provide that it may be drawn in whole or part by presentation to the issuer of a sight draft without any other requirements to the right to draw (The form of sight draft is found as Exhibit A to the form of letter of credit found at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal))
  7. Except for a letter of credit issued in connection with a Seller/Service's SBL Obligations under Chapter 46SBL, be in the form found at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal)

**e. Seller/Service responsibilities regarding letters of credit (08/18/22)**

Within 30 days prior to the issuance of a new letter of credit, including a renewal, replacement, or amendment of an existing letter of credit, the Seller/Service must:

1. For a letter of credit that the Seller/Service is holding, verify that the issuer of the letter of credit is listed on the Multifamily Counterparty Approved List.
2. For a letter of credit that Freddie Mac holds, verify that the rating of the issuer complies with Freddie Mac's requirements.
3. Bring to Freddie Mac's attention any variations from the Freddie Mac form of letter of credit and explain whether such variations are material.
4. Complete the Letter of Credit Certification form or Form 921, Letter of Credit – SBL Certification, as applicable.
5. Obtain an opinion of the issuer's counsel with respect to the issuer of the letter of credit, which opinion must provide that:
  - The issuer has the power and authority to execute and deliver the letter of credit.
  - The letter of credit constitutes the legal, valid and binding obligation of the issuer, enforceable by the lender (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations) against the issuer in accordance with the terms of the letter of credit.
  - The opinion is intended to be relied upon by the lender and its successors as holder of the Mortgage (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations).
6. Upon issuance of a new letter of credit, including a renewal, replacement or amendment of an existing letter of credit, the Seller/Service must:



- For a letter of credit that the Seller/Servicer is holding, hold the original letter of credit in a secure place in trust for Freddie Mac until instructed by Freddie Mac to deliver the letter of credit to Freddie Mac or return the letter of credit to the Borrower
  - In the case of a letter of credit provided in connection with a Mortgage, maintain a copy of the Letter of Credit Certification as part of the Mortgage File
  - In the case of a letter of credit provided as collateral for a Seller/Servicer's Reimbursement Obligations or a Construction Phase Letter of Credit required under Section 19A.7 or Section 28A.10, deliver such letter of credit and Letter of Credit Certification to Freddie Mac as required under the Seller/Servicer's Master Agreement or the Forward Commitment, as applicable
  - In the case of a Letter of Credit – SBL provided as collateral for an SBL Seller/Servicer's SBL Obligations, deliver such letter of credit and the Form 921, Letter of Credit – SBL Certification to Freddie Mac as required under Chapter 46SBL
7. Upon issuance of a renewal, replacement or amendment of an existing letter of credit held by the Seller/Servicer, the Seller/Servicer must provide the following information to Freddie Mac within 30 days of issuance:
- Complete legal name of the issuer of the letter of credit
  - Letter of credit number
  - Amount
  - Expiration date
  - Issuer bank branch address and presentation site address

The information in this subsection must be delivered to *Multifamily Asset Management, Structured Transactions* for:

- Structured Transactions
- Tax Exempt Bond Credit Enhancements
- Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products
- Targeted Affordable Housing Mortgages, or
- Credit Facilities

For all other Mortgages, the information in this subsection must be delivered to *Multifamily Asset Management, Borrower Transactions*.





**f. Documents to be delivered to Freddie Mac (06/29/17)**

- Any time the Seller/Servicer is holding the original letter of credit, the Seller/Servicer must deliver to Freddie Mac a copy of the letter of credit, the original Letter of Credit Certification and original opinion of issuer's counsel.
- For a letter of credit that Freddie Mac will hold, the Seller/Servicer must deliver the original letter of credit to Freddie Mac with the Final Delivery Package.

**g. Change in issuer's Freddie Mac approval status (06/29/17)**

Freddie Mac may withdraw approval of a letter of credit issuer at any time and for any reason.

- For Mortgages prior to origination:

If Freddie Mac withdraws its approval of an issuer of a letter of credit prior to origination of the Mortgage, in the case of a letter of credit held in connection with an early rate-lock application or any Forward Commitments:

- The TAH Seller/Servicer must notify *Multifamily TAH Production*
- The SBL Seller/Servicer must notify the *Multifamily Small Balance Loan Team*
- All other Seller/Servicers must notify the *Applicable Freddie Mac Multifamily Regional Office*

- For Mortgages that have been purchased by Freddie Mac:

If Freddie Mac withdraws its approval of an issuer of a letter of credit, the Servicer must require the Borrower to obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

- For letters of credit securing an SBL Seller/Servicer's SBL Obligations: If Freddie Mac withdraws its approval of an issuer of a letter of credit, the SBL Seller/Servicer must obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

**h. Delivery of letter of credit to Freddie Mac (06/29/17)**

The Seller must deliver the original letter of credit, the original opinion of issuer's counsel and the Letter of Credit Certification or the Form 921, Letter of Credit – SBL Certification, as applicable, as specified below:

- For Mortgages or SBL Mortgages, with the Final Delivery Package



- For any other matter, as specified by Freddie Mac in the applicable agreement or Chapter 46SBL

**i. Presentation of letter of credit (10/07/08)**

Upon receipt of written instructions from Freddie Mac, the Seller/Servicer is authorized to present a sight draft to the issuer of a letter of credit and draw on the letter of credit.

The Seller/Servicer must hold the funds it obtains from a letter of credit in trust for Freddie Mac in an account in the name of the Seller/Servicer as custodian for Freddie Mac until it receives instructions from Freddie Mac as to where it should deposit the funds.

**j. Notification to Freddie Mac of letter of credit expiration (02/27/15)**

The Seller/Servicer must provide Freddie Mac with written notice of the expiration of any letter of credit not less than 30 days prior to the expiration of the letter of credit.

**k. Indemnification (10/07/08)**

The Seller must indemnify and defend Freddie Mac against any claims that may be asserted against Freddie Mac and any costs (including attorneys' fees), losses or damages that Freddie Mac may incur as a result of any failure by the Seller/Servicer to perform its obligations with regard to any letter of credit.

### **11.3 Third-party interest rate cap requirements for cash ARMs (02/29/16)**

For any cash ARM where Freddie Mac has required an interest rate cap and the ARM does not have an internal interest rate cap, Freddie Mac requires that the Borrower obtain an interest rate cap agreement with a third party cap provider ("cap agreement"). The Borrower must maintain a cap agreement until the entire indebtedness is paid in full.

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages.

**a. Cap provider (12/12/14)**

At the time of acquisition of the cap, and based on the term of the cap, the cap provider must be listed on the Approved Counterparties List. If the cap provider is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed Counterparty Approval Request.

Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following cap providers are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower.

Freddie Mac may withdraw approval of the cap provider at any time for any reason.



The cap provider must maintain the rating required by Freddie Mac in the governing transaction documents (for example the cap agreement) throughout the term of the cap.

**b. Cap agreement (04/07/06)**

Freddie Mac will accept a cap agreement only in the form agreed upon by Freddie Mac and the approved cap provider. The Seller/Servicer must notify the *Applicable Freddie Mac Multifamily Regional Office* of the name of the cap provider and must request that Freddie Mac provide the Seller/Servicer with the agreed form of cap agreement for that cap provider.

**c. Cap guaranty; opinion (04/07/06)**

Freddie Mac will notify the Seller/Servicer whether a cap agreement guaranty and/or opinion of counsel are required. If a cap agreement guaranty and/or an opinion of counsel are required, Freddie Mac will provide the Seller/Servicer with the forms of such document(s).

**d. Delivery of cap agreement (02/29/16)**

The Borrower must deliver an electronic copy of the cap agreement to the Seller/Servicer. For a newly originated Mortgage, the Borrower must bid the cap agreement not later than the Origination Date. The Seller must deliver an electronic copy of the cap agreement in the Final Delivery Package.

**e. Payments under the cap agreement (04/07/06)**

- So long as there is not an event of default and the Borrower has made the full monthly payment due, the Servicer will remit any payments made by the cap provider to the Borrower.
- Following an event of default, Freddie Mac may apply any payments made under the cap agreement to the Mortgage in any order and amount that Freddie Mac determines.

**f. Reserve for subsequent cap agreement (07/01/14)**

If a cap agreement expires prior to the maturity date of the Mortgage, during the term of the cap agreement, the Borrower must make monthly deposits with the Servicer on the first day of each calendar month ("cap deposits"). The cap deposits must be sufficient to accumulate funds in an amount equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to the termination of the then-existing cap agreement, a subsequent third-party cap agreement (see Section 43.22).

**g. Expiration of cap agreement (04/07/06)**

- Any time a cap agreement expires, a new cap agreement has not been put into effect and an event of default has occurred, Freddie Mac, at its option, may apply any payment made by the Borrower under the Note to the purchase of a cap agreement.
- Any time a cap agreement expires and a new cap agreement has not been put into effect, Freddie Mac, at its option, may apply the default interest rate contained in the Note.



#### **h. Servicing a cap agreement (02/07/08)**

See Sections 43.21 and 43.22 for the Servicing requirements for a cap agreement.

### **11.4 Reliance on third-party reports (09/18/14)**

This Guide contains specific reliance provisions for various types of third-party reports. If not otherwise specified in this Guide, each third-party report must include the following provision:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
  - any initial purchaser or subsequent holder of such debt and/or securities;
  - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
  - any indenture trustee;
  - any rating agency; and
  - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”



## 11.5 Insurance requirements for third-party consultants (10/12/17)

Freddie Mac requires the following third party consultants to have the insurance coverage described below:

- Appraisers
- A/E Consultants performing the duties outlined in Chapter 63
- Property condition or Physical Risk consultants
- Environmental consultants
- Property inspectors conducting:
  - Forward Commitment property inspections as described in Section 8.16(b)
  - Property inspections at time of conversion as described in Section 8.16(d)
- Green consultants

These third party consultants must have the following insurance coverage in place:

- Commercial General Liability (CGL) insurance with limits of at least \$1 million per occurrence and \$2 million aggregate with a maximum deductible amount of \$35,000
- Professional Liability insurance with limits of \$1 million per claim and \$2 million aggregate with a maximum deductible amount of \$100,000

The above policies must be issued by an insurance carrier rated either Standard & Poor's Insurer Solvency Review "BBB" or better, or AM Best A-, VI, or higher (i.e., A-, X; A, VI, etc.).

The requirements above do not apply to third-party fee consultants performing annual property inspections.

Third party consultants should have appropriate insurance coverage in place while traveling to and from and conducting work at the Property. The following are recommended guidelines for the types and levels of insurance coverage to be considered:

- Worker's Compensation insurance as required by law
- Automobile liability insurance for all owned (if any), non-owned and hired vehicles of \$1 million per accident

The Seller/Service provider should review the insurance coverage held by third-party consultants and determine and document that the consultants have adequate insurance relevant to the work to be performed.



## 11.6 Real Estate Schedule – Form 1116 verification (02/27/25)

### a. Verification applicability (02/27/25)

The requirements in this section apply to each Form 1116, Real Estate Schedule, delivered to Freddie Mac for the following parties:

- For all Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a First-Time Sponsor,
- For all Mortgages, effective for transactions taken under Seller Application on and after February 27, 2025, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a Rapid Growth Sponsor
- For all Mortgages other than SBL Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a Limited Multifamily Experience Sponsor as referenced in Section 9.2(d), and
- For SBL Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor not meeting the requirements of Section 9SBL.2(c)(2).

This verification is not applicable to U.S. Public Companies or Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors.

### b. Verification sample (02/27/25)

As additional verification measures for the Form 1116, Real Estate Schedule, submitted for the parties listed in Section 11.6(a), the Seller/Servicer must select a sample of assets to confirm that the schedule accurately reflects each such party's ownership role (e.g., general partner, limited partner, managing member, member, etc.) of each asset based on the following criteria:

- (i) If Form 1116, Real Estate Schedule, reflects 10 assets or less (5 assets or less for SBL Mortgages), ownership in all properties must be verified (other than a personal residence).
- (ii) If Form 1116, Real Estate Schedule, reflects more than 10 assets (more than 5 assets for SBL Mortgages), a sample of 10 assets (5 assets for SBL Mortgages) may be selected provided that the sample reflects multifamily properties in which the Key Borrower Principal has Control (e.g., general partner or managing member interest), if applicable. The sample can include multifamily properties with a non-controlling interest or other asset types once all multifamily properties in which the Key Borrower Principal has Control have been selected for inclusion. Additionally, if a majority of the Key Borrower Principal's Form 1116, Real Estate Schedule reflects non-multifamily assets, then the verification should be expanded to include a representative sample of these assets as well.

**c. Verification requirements (02/27/25)**

Upon the delivery to Freddie Mac of each Form 1116, Real Estate Schedule, for the parties listed in Section 11.6(a), the Seller/Servicer is certifying to Freddie Mac that each such party's ownership role of each asset listed has been verified for the sample noted in Section 11.6(b) by the Seller/Servicer's review of the documentation described in (1), (2) or (3) below:

1. Documentation either independently obtained or received from the party completing the Form 1116, Real Estate Schedule, consisting of both of the following:
  - Evidence of the owner name of each asset provided by the party completing Form 1116, Real Estate Schedule, (such as a tax bill, title policy, property deed or other commercially reasonable evidence)
  - Organizational documents, provided by the party completing Form 1116, Real Estate Schedule, for the owner(s) of each asset evidencing the Key Borrower Principal or Guarantor ownership role (redacted copies are acceptable so long as the ownership role can be verified)
2. Federal tax return (Schedule K-1) for the parties listed in Section 11.6(a) confirming each party's ownership role in applicable assets identified on the Form 1116, Real Estate Schedule (redaction of non-relevant information permitted).
3. Other reasonable documentation approved by Freddie Mac (e.g., website listing real estate assets for an SEC-registered entity or lender certification confirming Key Borrower Principal ownership role for those assets in which the lender was involved in the prior financing).

The Seller/Servicer must contact Freddie Mac Underwriting if the Seller/Servicer is unable to verify the ownership information for the sample or if any discrepancies are found. The Seller/Servicer may not make any adjustments to the sample as a result of insufficient information or discrepancies.

If Freddie Mac agrees to accept alternative documentation for Form 1116, Real Estate Schedule, which documentation must be approved in advance by Freddie Mac, the above verification requirements apply to such documentation.

**d. Retention of Records (04/18/24)**

The Seller/Servicer must retain electronic or hard copy records evidencing the Seller's compliance with the verification requirements in this section.





## 11.7 Historical property financial statement reconciliation for refinances of Freddie Mac Mortgages and Supplemental Mortgages (08/15/2404/22/25)

### a. Reconciliation applicability (08/15/2404/22/25)

The requirements in this section apply to Mortgages taken under Seller Application on or after August 15, 2024, that are (i) refinances of Freddie Mac Mortgages where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage and (ii) Supplemental Mortgages where the Seller both originated the senior Mortgage and is the current Servicer of the senior Mortgage.

With respect to acquisition Mortgages, nothing herein shall restrict or limit Freddie Mac or Seller/Servicer from performing a reconciliation of property financial statements available to Freddie Mac or Seller/Servicer, similar to the reconciliation described in Section 11.7(b). In connection with any such reconciliation related to an acquisition Mortgage, Seller/Servicer must comply with all reporting requirements, including but not limited to those in Section 7-27.6, with respect to any Suspicious Activity and actual or possible fraud or misrepresentation in connection with such reconciliation.

### b. Reconciliation requirements (08/15/24)

Prior to the delivery to Freddie Mac of the underwriting package, Seller/Servicer must reconcile each historical property financial statement (including the most current property financial statement in a T-12 format) required by Sections 55.2 and 55SBL.2 against the property financial statements received for the same periods during the Servicing of the existing or senior Mortgage, as applicable (for the purposes of this Section 11.7, “Servicing Statements”).

For historical property financial statements covering an annual period, this reconciliation must include a review against each applicable full-year Servicing Statement, when available. For historical property financial statements covering the most recent annual or twelve-month period, due to timing differences, this reconciliation only applies to those months in most recent Servicing Statement (provided in a T-12 format) that overlap the months reflected in such statements.

By delivering the underwriting package to Freddie Mac, the Seller/Servicer is certifying that the reconciliation required by this section has been performed and either (i) there are no deviations identified or (ii) any deviations have been clearly disclosed to Freddie Mac in the mortgage transaction narrative analysis.

### c. Submission of Servicing Statements (08/15/24)

If the Servicing Statements are not found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer must submit the Servicing Statements used to perform the reconciliation required in Section 11.7(b) as part of the underwriting package.

If the Servicing Statements used to perform the reconciliation required in Section 11.7(b) are already found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer is





not required to separately submit the Servicing Statements to Freddie Mac as part of the reconciliation requirements of this Section 11.7.

**d. Identification of possible misrepresentation (08/15/2404/22/25)**

Seller/Servicer must comply with all reporting requirements, including but not limited to those in Section ~~7-27.6~~, with respect to any Suspicious Activity and actual or possible fraud or misrepresentation in connection with the reconciliation required in Section 11.7(b).

**e. Retention of Records (08/15/24)**

The Seller/Servicer must retain records evidencing the Seller's compliance with the reconciliation requirements in this section.

**11.8 Impact of a natural disaster or weather-related adverse condition (12/12/24)**

**a. Applicability (12/12/24)**

Upon Freddie Mac's notification to Seller/Servicers, this section is applicable to Mortgage loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property. (See also Section 5.2(b) for Seller/Servicer representations and warranties regarding the Property and Section 27.4(a) for Nondelivery in the event of a material adverse change in Property condition).

Freddie Mac may provide notification to Seller/Servicers regarding the applicability of this section with respect to a particular natural disaster or weather-related adverse condition, but in the absence of a notification, Seller/Servicers remain obligated to comply with the provisions of this Section 11.8, to the extent applicable to their Mortgage loans.

**b. Types and Status of Mortgage Loans (12/12/24)**

1. For Conventional, Seniors, Targeted Affordable Housing (TAH) and Structured & Facility Mortgages in the quote stage, and for Small Balance Loans (SBL) under Seller Application that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property:
  - If the property condition consultant's physical inspection of the Property is taking place after the occurrence of the natural disaster or weather-related adverse condition, nothing further required.
  - If the property condition consultant's inspection has taken place prior to the occurrence of the natural disaster or weather-related adverse condition:
    - The Seller/Servicer must deliver the Borrower Certification of Weather-Related Event as part of the full underwriting package and must specifically address any impact to the Property sustained from the natural disaster or weather-related adverse condition.



- Freddie Mac, in its sole discretion, may require additional information or further inspections of the Property.
2. For Mortgage loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property (i) for which an underwriting package has been delivered to Freddie Mac, (ii) that are awaiting Index Lock, (iii) where a Letter of Commitment (or Early Rate Lock Application) has been accepted, or (iv) are in process at any point thereafter prior to Freddie Mac's purchase of the Mortgage, the following items must be submitted to Freddie Mac either as part of the full underwriting package or via a separate email communication:
- Borrower Certification of Weather-Related Event specifically addressing any impact to the Property sustained from the natural disaster or weather-related adverse condition.
  - Written confirmation that the Property has sufficient property damage (All-Risk) coverage, Business Income/Rental Value Insurance coverage, or any other applicable coverage (i.e., Windstorm, Named Storm, Flood, etc.).
  - If an acquisition Mortgage, in addition to the above items, written confirmation that there has been no change to the Purchase and Sale Agreement, or if there has been a change, receipt of the revised Purchase and Sale Agreement and updated Purchase and Sale Agreement Analysis including an explanation of the change.
3. For any loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property that Freddie Mac has committed to purchase (via a fully executed Letter of Commitment or an accepted Early Rate-Lock Application) but has not yet purchased, in addition to submission of the items set forth in subsection b.2. above, Seller/Serviceicers must report any impacted Properties to the Surveillance – Compliance Team, including any damage updates for such Properties when available.
- For any such Mortgages delivered to Freddie Mac for purchase, Seller/Serviceicers must also coordinate with the *Multifamily Purchase* team; Mortgage loan funding may be delayed pending a damage assessment.

<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:36:57 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
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<b>Modified filename:</b> 11 - Misc Fundamentals GB-04-22-25.docx	
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<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	25

# Multifamily Seller/Service Guide

## Chapter 18SBL

### Originating an SBL Mortgage



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- 18SBL.28 Assignment (10/12/17)
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- 18SBL.30 Public Record Searches (08/15/24)



18SBL.1 Overview (12/14/2304/22/25)

This chapter describes the requirements and procedures that the Seller/Service providers must follow to originate a Mortgage under the SBL Purchase Product. SBL Mortgages submitted for purchase must comply with the requirements of this chapter and all other applicable chapters of the Guide including the requirements of the following chapters, which apply specifically to SBL Mortgages:

- Chapter 6SBL: SBL Legal Services for Mortgage Origination and Servicing
- Chapter 8SBL: SBL Property Fundamentals
- Chapter 9SBL: SBL Borrower/Borrower Principal Fundamentals
- Chapter 29: Title, Description, Survey, UCC Searches and Opinions
- Chapter 62SBL: SBL Physical Risk Report Requirements
- Chapter 64SBL: SBL Seismic Risk Assessment Requirements
- ~~Chapter 29SBL: SBL Title, Description, Survey and UCC Search~~
- Chapter 41SBL: SBL Transfers of Ownership
- Chapter 46SBL: SBL Collateral, Loss, Repurchase, Servicing and Securities Purchase
- Chapter 55SBL: SBL Documentation and Deliveries

Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

a. Description of the SBL Purchase Product (09/26/19)

Freddie Mac will purchase SBL Mortgages from SBL Seller/Service providers as described in Section 3.1(a). This chapter describes the unique requirements for the SBL Purchase Product.

Unless otherwise approved in writing by Freddie Mac, SBL Mortgages must have a principal balance between \$1 million and \$7.5 million.

Loans of this size may also be purchased by Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program, which is described in Chapter 17.

Freddie Mac intends to securitize all SBL Mortgages. Seller/Service provider's obligations regarding repurchase of defaulted SBL Mortgages, loss sharing, and the securitization process are described in Chapter 46SBL.

b. Investment quality (06/30/16)

Each SBL Mortgage must have characteristics that demonstrate investment quality (see Section 10.7).

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**c. Types of SBL Mortgages (06/30/16)**

Freddie Mac may purchase any or all of the following types of SBL Mortgages:

- Fixed-rate SBL Mortgages in which the interest rate is unchanged for the entire SBL Mortgage term. (See Section 18SBL.2)
- Fixed to floating-rate "Hybrid ARM" SBL Mortgages in which the interest rate is fixed for an initial set term and is then adjusted periodically until the end of the term of the SBL Mortgage. (See Section 18SBL.2)
- Other types of SBL Mortgages as announced by Freddie Mac from time to time

**d. Securitization of Mortgages and transfer of Servicing (06/30/16)**

At the time of a securitization of an SBL Mortgage, as described in Chapter 46SBL, Freddie Mac will cease to own the applicable Mortgage and Servicing of the applicable SBL Mortgage will be terminated and transferred to a master servicer without compensation to the Seller/Servicer. Seller/Servicer must cooperate with all transfers of Servicing and SBL Securitization provisions described in Chapter 46SBL.

**e. Delivery options (10/12/17)**

For SBL Mortgages, Freddie Mac offers only the Standard delivery underwriting delivery option. The SBL Mortgage terms, conditions and interest rate are fixed after receipt and approval of the full underwriting package. For detailed information about standard delivery, see Sections 18SBL.3 through 18SBL.9.

**f. Minimum Origination Fee (12/14/18)**

A Seller must charge a Minimum Origination Fee in connection with the origination and sale of an SBL Mortgage to Freddie Mac as specified in the Freddie Mac Multifamily Small Balance Loan Pricing Grid Explanation document.

The Seller may satisfy the requirement for a Minimum Origination Fee with any combination of a premium buy-up and an origination fee.

The Minimum Origination Fee must be collected by the Seller and may not be used to reimburse closing costs.

**g. Final delivery requirements (09/01/16)**

Chapter 32 contains the requirements for final delivery of SBL Mortgages to Freddie Mac.



18SBL.2 SBL Mortgage characteristics (12/12/24)

Each SBL Mortgage must have the following characteristics:

Loan Purpose	<p>Acquisition or refinance</p> <p>If the SBL Mortgage is a refinance with a return of equity and, at the time of submission of the full underwriting package to Freddie Mac, a Key Borrower Principal with Control has owned the Property for less than two years, evidence must be provided that previously completed capital expenditures or construction costs that have exceeded the greater of \$50,000 or three percent of the SBL Mortgage amount.</p> <p>The improvements must be verified in the SBL Physical Risk Report (pursuant to Chapter 62SBL) and/or the Appraisal (pursuant to Chapter 60).</p>
Loan Terms	<ul style="list-style-type: none"><li>Fixed Rate SBL Mortgages - 5, 7, or 10 years</li><li>Hybrid ARM SBL Mortgages - Following the initial fixed rate period, there is an adjustable-rate period through maturity for Hybrid ARM SBL Mortgages - 10 years total term on hybrid loans with initial fixed-rate periods of 5 and 7 years, and 20 years total term on hybrid loans with an initial fixed-rate period of 10 years</li></ul>
Amortization	<p>For amortizing SBL Mortgages, the maximum amortization period is 30 years. Any interest-only period will be followed by an amortization period of no more than 30 years.</p>
Interest Only	<p>Partial-term and full-term interest-only debt service payments are available for Fixed Rate SBL Mortgages. Partial interest-only payment terms are available during the fixed rate period of the Hybrid ARM SBL Mortgage.</p>
Interest Rate calculation – Hybrid ARM SBL Mortgages	<p>Hybrid ARM SBL Mortgages will have initial fixed rate periods of 5, 7, or 10 years followed by an adjustable rate period through the maturity of the Hybrid ARM SBL Mortgage. During the adjustable rate period, the interest rate and amortization period may be adjusted every six months based on the index and margin specified in the Note Hybrid ARM - SBL. The adjustable interest rate will never be less than the initial fixed rate, will not increase or decrease more than one percent at any one adjustment period, and will be capped at the initial fixed interest rate plus five percent, unless otherwise specified in the Note Hybrid ARM - SBL. Amortization will be based on an actual/360 interest schedule.</p>





<b>Prepayments</b>	As specified in the Note Fixed Rate – SBL and the Note Hybrid ARM-SBL available at <a href="http://mf.freddiemac.com/lenders/legal">mf.freddiemac.com/lenders/legal</a>
<b>Sales or Transfers of Property or beneficial interest in Borrower</b>	Transfer of Ownership to a qualified purchaser is permitted on terms approved by Freddie Mac, in accordance with the terms of the SBL Loan Documents and the Guide.
<b>Borrower Recourse/Third-Party Guaranties</b>	<p>Generally non-recourse, except upon the occurrence of certain events specified in the SBL Loan Documents.</p> <p>See Section 10.2(b) in the event Freddie Mac requires one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due under the SBL Mortgage.</p>
<b>Servicing Spread</b>	The Servicing Spread for each SBL Mortgage will be as stated in the Letter of Commitment for that SBL Mortgage.
<b>Reserves</b>	<p>The Seller/Servicer must establish Reserves pursuant to the requirements of Sections 39.2 and 39.3 with the following exceptions specific to SBL Mortgages:</p> <ul style="list-style-type: none"><li>• Reserves for real estate taxes may be deferred provided original LTV Ratio is 65 percent or less.</li><li>• Reserves for insurance may be deferred.</li><li>• Monthly Replacement Reserve deposits may be deferred at the discretion of Freddie Mac based on information from either the SBL Physical Risk Report or the Property site inspection.</li></ul>
<b>Financing of Origination Fees</b>	Proceeds of the SBL Mortgage may be used to pay loan origination fees or comparable fees to the Seller/Servicer only to the extent that such fees are reasonable and in accordance with general industry standards.
<b>Late Charges/Default Interest</b>	Requirements regarding late charges and default interest are set forth in the SBL Loan Documents. The Seller/Servicer may not change any provisions regarding late charges or default interest without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

18SBL.3 Standard delivery—overview (06/30/16)

Freddie Mac will regularly publish a Pricing Grid indicating coupon rates applicable to Fixed-rate and Hybrid ARM SBL Mortgages.

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Provided the SBL Mortgage presented in the full underwriting package meets the requirements of the SBL Purchase Product and has been approved by the *Small Balance Loan Team*, as evidenced by issuance from Freddie Mac of the Letter of Commitment, Seller/Service providers may rate lock the SBL Mortgage with Freddie Mac at the applicable published Coupon Rate included in the SBL Letter of Commitment.

**18SBL.4 Standard delivery—underwriting package (06/29/17)**

To begin the standard delivery process, Seller/Service providers must submit to Freddie Mac, via Freddie Mac's Document Management System (DMS), a full underwriting package including all documents specified in the SBL Underwriting Checklist, Section 1.2 of Exhibit 1. See Chapter 55SBL, SBL Documentation and Deliveries, for instructions on preparing and delivering the underwriting package and remitting any required fees to Freddie Mac as well as descriptions of Freddie Mac's requirements for each document in the underwriting package.

If the proposed SBL Mortgage does not meet one or more of the requirements for the SBL Purchase Product, Seller/Service provider must obtain a waiver from the *Small Balance Loan Team* prior to submitting the proposed SBL Mortgage to Freddie Mac.

If Freddie Mac approves the proposed SBL Mortgage, Freddie Mac will issue a Letter of Commitment as described in Section 18SBL.6.

**18SBL.5 Standard delivery—application fee (~~10/14/16~~04/22/25)**

~~Upon delivery of the full underwriting package, a nonrefundable~~An application fee equal to 10 basis points of the Loan Amount will be deemed earned by Freddie Mac from Seller/Service provider. ~~This fee is due at 2:00 pm Eastern time on the fifth Business Day following the day the Seller/Service provider entered the loan status as Under Application in the Pipeline Management Tool (PMT).~~

~~The application fee will not be due for a nonrefundable fee, except for Properties located in Top Markets, or unless otherwise specified in writing by Freddie Mac. For Properties located in Top Markets (identified in the document titled "Market Tiering (SBL)"), the application fee will be waived upon written confirmation from Freddie Mac that the Coupon Rate has been locked, unless otherwise specified in writing by Freddie Mac.~~

**18SBL.6 Standard delivery—Letter of Commitment (~~04/15/21~~04/22/25)**

The Letter of Commitment represents Freddie Mac's offer to purchase an SBL Mortgage secured by an eligible Property as determined by Freddie Mac. A Letter of Commitment provides the purchase conditions applicable under a mandatory Purchase Contract.

**a. Issuance of Letter of Commitment (04/15/21)**

After the Seller/Service provider submits a full underwriting package meeting the requirements of Section 18SBL.4, Freddie Mac will determine if the SBL Mortgage is acceptable for purchase.

Freddie Mac intends to complete its review of the full underwriting package within nine Business Days of its receipt of the full underwriting package (including all third-party reports),



but reserves the right to take such additional time as is reasonably necessary to complete its review.

If the contemplated SBL Mortgage is acceptable, Freddie Mac will issue a Letter of Commitment stating the maximum Mortgage amount, the maximum annual debt service (principal and interest or interest only), loan term and amortization period (if applicable), and all additional conditions that must be satisfied before Freddie Mac purchases the SBL Mortgage.

The Letter of Commitment is valid for the period of time stated in the Letter of Commitment. If the Seller/Servicer fails to accept the Letter of Commitment offer within that stated time period, the Letter of Commitment will automatically expire, Freddie Mac will not be obligated to purchase the SBL Mortgage under any conditions, and the Seller must remit the application fee set as set forth in Section 18SBL.6(e). The Letter of Commitment will automatically incorporate by reference the terms set forth in the following sections of Chapter 27:

- Section 27.4: Seller Application
- Section 27.29: General Terms
- Section 27.30(e): O&M programs

**b. Seller/Servicer acceptance (06/30/16)**

The Seller/Servicer may accept the Letter of Commitment by following the procedures set forth in the Letter of Commitment.

After the Seller/Servicer executes the Letter of Commitment, the Seller/Servicer may not transfer, assign or otherwise modify the letter without Freddie Mac's prior written approval.

**c. Locking the Coupon Rate and fixing SBL Mortgage amount and terms (04/30/19)**

Provided the Seller/Servicer has accepted the Letter of Commitment, per Section 18SBL.6(b), the Seller/Servicer may lock the Coupon Rate stated in the Letter of Commitment and fix the actual SBL Mortgage amount and terms by submitting the executed Letter of Commitment to Freddie Mac, via DMS, no later than 3:30 p.m. Eastern time on the "Commitment Expiration Date" as specified in the Letter of Commitment. If either the Seller/Servicer or Freddie Mac does not have access to Multifamily DMS for a period of time, and as a result, Freddie Mac is unable to lock the Coupon Rate before the Coupon Rate Expiration Date, Freddie Mac will not be liable for any damages whether direct or consequential.

If the Seller fails to lock the Coupon Rate by the Commitment Expiration Date, the Seller must remit the application fee as set forth in Section 18SBL.6(e).

**d. Contract Number and Mandatory Delivery Date (06/30/16)**

Freddie Mac will provide the Seller/Servicer with the contract number of the Purchase Contract (Contract Number) and the Mandatory Delivery Date of the SBL Mortgage via email following its receipt of the countersigned Letter of Commitment in accordance with Section 18SBL.6(c) (Contract Number Confirmation Email). When it is issued, the Contract Number Confirmation Email is incorporated into and becomes a part of the Letter of Commitment.



Seller/Servicer must upload the Contract Number Confirmation Email to DMS on the date of its receipt of the Contract Number Confirmation Email as part of the Letter of Commitment file.

**e. Application fee (04/30/1904/22/25)**

~~Upon the delivery of the full underwriting package, the nonrefundable~~The application fee will be deemed earned by Freddie Mac as set forth in Section 18SBL.5 and will be payable by Seller by wire transfer to Freddie Mac as follows:

- (i) If the Seller locks the Coupon Rate as described above, Seller must remit the application fee to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day following the Coupon Rate Lock.
- (ii) If Freddie Mac determines that it will not issue a Letter of Commitment for any reason, Seller must remit the application fee upon demand by Freddie Mac.
- (iii) If Freddie Mac issues a Letter of Commitment and Seller either fails to accept the Letter of Commitment or fails to lock the Coupon Rate by the Commitment Expiration Date, Seller must remit the application fee upon demand by Freddie Mac.

~~The Seller must obtain wire transfer instructions from the Multifamily Small Balance Loan Team.~~

(iv) If the Under Application status in the Pipeline Management Tool (PMT) is changed to Lost by the Seller or Freddie Mac, the Seller must remit the application fee to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day following the status change to Lost.

~~The Seller must send the wire transfer to the attention of Multifamily Cash Management. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number, in accordance with the SBL Application Fee Wire Transfer Instructions.~~

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**18SBL.7 Standard delivery—final delivery (09/01/16)**

At or before noon Eastern time on the Mandatory Delivery Date, the Seller/Servicer must deliver to Freddie Mac all of the documents listed in the Final Delivery Table of Contents – SBL. The Seller/Servicer must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the SBL Final Delivery Instructions.

**18SBL.8 Standard delivery—funding (09/01/16)**

After final delivery of the SBL Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Chapter 32 for provisions relating to funding.



**18SBL.9 Standard delivery – late delivery; non-delivery (06/30/16)**

**a. Late delivery (06/30/16)**

For SBL Mortgages delivered or to be delivered under the standard delivery option, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of an SBL Mortgage:

- The Seller/Servicer fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to [mf\\_purchase\\_boarding\\_mgrs@freddiemac.com](mailto:mf_purchase_boarding_mgrs@freddiemac.com) notifying *Multifamily Purchase* of the delivery of the Electronic Delivery Package, 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 (06/30/16)**

If Freddie Mac determines that there has been a late delivery of an SBL 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)
- Charging the Seller/Servicer a late delivery extension fee
- Taking any other action set forth in Chapter 4

**c. Nondelivery (06/30/16)**

For SBL Mortgages delivered or to be delivered under the standard delivery option, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of an SBL Mortgage:

1. The Seller/Servicer fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to [mf\\_purchase\\_boarding\\_mgrs@freddiemac.com](mailto:mf_purchase_boarding_mgrs@freddiemac.com) notifying *Multifamily Purchase* of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.
2. Either the SBL Mortgage or 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 (06/30/16)**

If Freddie Mac determines that there has been a nondelivery of an SBL 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.)



- Charging the Seller/Servicer a breakage fee
- Taking any other action set forth in Chapter 4

**e. Calculation of the breakage fee (06/30/16)**

As liquidated damages for the nondelivery of an SBL Mortgage, Freddie Mac will charge the Seller/Servicer a breakage fee equal to two percent of the proposed SBL Mortgage amount. Freddie Mac's collection of the breakage fee will not prevent it from exercising any other remedies set forth in the Guide.

**18SBL.10 Reserved**

**18SBL.11 Reserved**

**18SBL.12 Reserved**

**18SBL.13 Reserved**

**18SBL.14 Reserved**

**18SBL.15 Reserved**

**18SBL.16 Reserved**

**18SBL.17 Reserved**

**18SBL.18 Reserved**

**18SBL.19 Reserved**

**18SBL.20 Reserved**

**18SBL.21 Reserved**

**18SBL.22 Reserved**

**18SBL.23 Reserved**

**18SBL.24 Accuracy of information (10/12/17)**

Freddie Mac is relying upon the truth and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller/Servicer in connection with the Letter of Commitment and the SBL Mortgage regardless of whether any of such documents were prepared by the Seller/Servicer or whether the Seller/Servicer knew or had reason to know the accuracy of their contents.



**18SBL.25 SBL Purchase Product Loan Documents (SBL Loan Documents) (04/15/21)**

The loan execution documents for the SBL Purchase Product (“SBL Loan Documents”) can be found on [mf.freddie.mac.com](https://mf.freddie.mac.com); those not found on [mf.freddie.mac.com](https://mf.freddie.mac.com) will be included in the Letter of Commitment for the applicable SBL Mortgage.

The Seller/Servicer may use any version of the SBL Loan Documents that have been included on the Currently Acceptable Multifamily Loan Documents-SBL list at <https://mf.freddie.mac.com/lenders/legal/> during the period between the date of the Letter of Commitment and the Origination Date.

**18SBL.26 Maryland or Florida – Originating SBL Mortgages by Assignment, Amendment and Restatement; New York – Originating SBL Mortgages by Consolidation, Extension and Modification Agreement (06/30/16)**

- a. If the Property is located in Maryland or Florida, the Seller/Servicer may originate the SBL Mortgage by purchasing an existing mortgage from the current holder of that mortgage (MD/FL Existing Mortgage), and then modifying, extending, renewing, amending and/or consolidating the MD/FL Existing Mortgage (MD/FL Amended and Restated Mortgage).
- b. If the Property is located in New York, the Seller/Servicer may originate the SBL Mortgage by combining and then restating the rights, obligations, promises and agreements stated in existing mortgages secured by the Property (NY Existing Mortgages) by using a Consolidation, Extension and Modification Agreement (CEMA) (NY CEMA Mortgage).
- c. The MD/FL Existing Mortgage and NY Existing Mortgages will be assigned to the Seller/Servicer in lieu of being discharged (Assignment). The Seller/Servicer may document the Assignment in the manner appropriate to local practice, except that if the Assignment is by Freddie Mac, then the note(s) for the MD/FL Existing Mortgage or NY Existing Mortgages will be endorsed by Freddie Mac to the Seller/Servicer without recourse or warranty, and the security instrument(s) for the MD/FL Existing Mortgage or NY Existing Mortgages will be assigned by Freddie Mac to the Seller/Servicer using the standard form of Freddie Mac Assignment of Security Instrument.
- d. Specific delivery requirements for MD/FL Amended and Restated Mortgages and NY CEMA Mortgages are set forth in the SBL Final Delivery Instructions and SBL Tables of Contents.
- e. If Freddie Mac holds the MD/FL Existing Mortgage or the NY Existing Mortgages, the Seller/Servicer must prepare and deliver to the Freddie Mac Multifamily Loan Accounting Payoff Team ([mfopsloanacctpayoffs@freddie.mac.com](mailto:mfopsloanacctpayoffs@freddie.mac.com)) at least five days before the scheduled origination date of the SBL Mortgage, the forms for completing the Assignment of the MD/FL Existing Mortgage or the NY Existing Mortgages from Freddie Mac to the Seller/Servicer. The Seller/Servicer must also notify the Payoff Team that the SBL Mortgage will be originated by Assignment in order to obtain the original note(s) and security instrument(s) for the MD/FL Existing Mortgage or NY Existing Mortgages. Freddie Mac will endorse the original note(s) for the MD/FL Existing Mortgage or NY Existing Mortgages to the Seller/Servicer and deliver it or them to the Seller/Servicer (delivery to Single Counsel will constitute delivery to the Seller/Servicer) to be held in escrow until Freddie Mac has



received the funds for payment in full for the MD/FL Existing Mortgage or NY Existing Mortgages.

**18SBL.27 South Carolina notice (06/30/16)**

If the Property is located in South Carolina, then prior to originating the SBL Mortgage, Seller/Service must deliver to Borrower and Guarantor the following Notice Letter or another notice letter in compliance with the requirements of the South Carolina Code providing prior written notice that a waiver of appraisal will be required on the origination date of the Mortgage.

**NOTICE OF WAIVER OF APPRAISAL RIGHTS**

[Name and Address]

Re: [Describe Mortgage Transaction]

Dear [Insert name of Borrower and Guarantor]:

This letter provides you with written notice as required by S.C. Code Ann. Section 29-3-680 (1976), as amended, that a requirement of the above-referenced credit transaction is your agreement to waive appraisal rights provided by statute in South Carolina with respect to all real property serving as collateral for such loan.

The Mortgage documents to be executed by you at closing will include the waiver. If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

**18SBL.28 Assignment (10/12/17)**

Freddie Mac will have the right to assign or otherwise transfer the Letter of Commitment or any Purchase Contract 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 Letter of 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.

**18SBL.29 Buy Up (Premium Pricing) (10/12/17)**

If Freddie Mac purchases the Mortgage, in addition to the purchase price Freddie Mac pays to Seller/Service for the SBL Mortgage, Freddie Mac will pay Seller/Service an amount equal to the Buy Up Fee amount to be paid to Seller as set forth in the Letter of Commitment.

**18SBL.30 Public Record Searches (08/15/24)**

Seller/Service must conduct the Public Records Searches on applicable individuals and entities in accordance with the requirements set forth in the Guide and the Public Records Search Requirements. See also Section 2.28.



<b>Summary report:</b>	
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<b>Style name:</b> Default Style	
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<b>Modified filename:</b> 18SBL - Originating SBL Mortgages GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	26
<del>Delete</del>	20
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<del>Table Delete</del>	0
<u>Table moves to</u>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	46

# Multifamily Seller/Servicer Guide

## Chapter 21

### Originating a Mortgage under the Multifamily Seniors Housing Project



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- c. Continuing Care Retirement Community (05/11/10)
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- h. ~~Furniture, fixtures, and equipment (04/14/22)~~ Furniture, fixtures, and equipment (04/22/25)
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  - b. Additional reporting requirements for Seniors Housing Mortgages (04/30/19)



21.1 Overview (12/14/23)

Under the Multifamily Seniors Housing Product, Freddie Mac will purchase Mortgages that are secured by Seniors Housing Properties, including Independent Living Properties and Assisted Living Residences that may include an Alzheimer’s component. Mortgages on Properties that provide a limited amount of skilled nursing care may also be eligible on a case-by-case basis. Seniors Housing Properties and the variety of resident care services offered at these Properties meet the targeted needs of a range of elderly residents, from services for active seniors to the daily care needs of the frail elderly. This chapter describes the unique requirements for the various Seniors Housing Property types.

Freddie Mac purchases Mortgages secured by Seniors Housing Properties using the requirements of this chapter and one of the following Freddie Mac Mortgage purchase programs or products:

- Multifamily Conventional Cash Mortgage Purchase Program, Chapter 17

**Note:**

To originate a Mortgage under the Multifamily Seniors Housing Product, refer to the Multifamily Conventional Cash Mortgage Purchase Program (Chapter 17) as well as to this chapter. Chapter 17 states the requirements for all products related to the Multifamily Conventional Cash Mortgage Purchase Program, and this chapter details only how the requirements of the Multifamily Seniors Housing Product differ from those requirements.

Except as otherwise specified by this chapter, the provisions of Chapter 27 will apply.

- Multifamily Supplemental Mortgage Product, Chapter 20

Age-restricted seniors apartments are not included in the Freddie Mac Multifamily Seniors Housing Product. Seniors apartments are age-restricted multifamily communities that cater to senior residents who are able to function independently. These residences are typically restricted to residents 55 and older (or 62 and older). Seniors apartments do not provide healthcare services, medication assistance, meal services or other third-party contract services. Freddie Mac will purchase or provide credit enhancements for Mortgages secured by age-restricted seniors apartments directly under the requirements of the Multifamily Conventional Cash Mortgage Purchase Program and the Multifamily Supplemental Mortgage Product or the Multifamily Housing Bond Credit Enhancement Program.

Chapter 32 contains the requirements for final delivery of Mortgages to Freddie Mac and applies to each Seniors Housing Mortgage except as noted in this chapter.

All Mortgages submitted for purchase under the Seniors Housing Product must comply with the requirements of all other applicable chapters of the Guide, including Chapters 8, 9 and 10 as well as with the requirements of this chapter. Due to the nature of the resident care services necessary in a Seniors Housing Property:

- Origination of Seniors Housing loans for Freddie Mac is limited to Seller/Service providers that have received the Seniors Housing Seller/Service provider designation (see Section 3.1(c))
- Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its



underwriting criteria at the time of such request

**21.2 Definitions (09/28/18)**

**a. Activity of Daily Living (ADL) (09/08/04)**

Activities of Daily Living are personal care services that provide the frail elderly with assistance in eating, dressing, bathing, incontinence care, transferring and other basic living activities. Transferring is the act of assisting a resident from one place to another, such as from a bed to a wheelchair.

These services are typically included in the lease; but, based on the resident's needs, the facility may charge an additional fee.

**b. Assisted Living Residence (05/11/10)**

Assisted Living Residences are properties where at least 50 percent of the dwelling units must be for assisted living residents. They are designed to accommodate and provide 24-hour assistance for individuals with functional limitations. Most Assisted Living Residences offer private or semi-private rooms. The facility provides meals in a central location. Assisted Living Residences offer personnel and programs that assist residents with ADLs.

In addition to these services, some Assisted Living Residences provide specialized, secured environments and assistance to residents suffering from dementia or Alzheimer's disease and other cognitive impairment illnesses. Freddie Mac will purchase a Mortgage secured by an Assisted Living Residence that provides dementia care if less than 40 percent of the total units are dedicated to this type of care. Further, to assist with aging in place, some Assisted Living Residences provide limited skilled nursing care on a case-by-case basis or have dedicated space for limited skilled nursing care. Under certain circumstances, Freddie Mac will purchase a Mortgage secured by an Assisted Living Residence that provides limited skilled nursing care. See Section 21.3(b).

Most States require licensing of Assisted Living Residences.

**c. Continuing Care Retirement Community (05/11/10)**

A Continuing Care Retirement Community (CCRC) is a seniors living complex designed to provide a continuum of care within a single community. The living accommodations and care provided within a CCRC are a combination of the accommodations and services provided by seniors apartments, Independent Living Properties [defined in Section 21.2(d)], Assisted Living Residences and Skilled Nursing Properties.

A CCRC is typically a campus of multiple buildings that are designed to provide the various types of housing and associated care. CCRC unit types range from cottages to high-rise apartments on a single campus with common areas that consist of administrative offices, commercial kitchen, common dining area, activity area and a healthcare center. CCRCs typically require monthly rent plus fees for optional services.

A CCRC facility frequently will require residents to pay an entrance fee in addition to monthly rental fees. Depending on the payment structure of a CCRC facility, an entrance fee may either be fully or partially refundable upon departure or death. In some cases, the facility may

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apply the entrance fee to the healthcare services needs of the resident. A Mortgage secured by a CCRC requiring an entry fee may be eligible for purchase on a case-by-case basis.

A State license or certification is required if the CCRC provides skilled nursing services and may be required if the CCRC includes Assisted Living Residences.

**d. Independent Living Property (05/11/10)**

Independent Living Properties are multi-unit housing residences that offer optional services designed to aid the residents' independence. Management offers these services to the residents on an optional basis. Services include meals, housekeeping, laundry, transportation and 24-hour staff presence and may include an on-call nurse or physician. To be considered an Independent Living Property, at least 50 percent of the dwelling units must be for independent living residents.

Individual living units include full kitchens and bathrooms, and apartments are decorated and furnished by the resident. Most Independent Living Properties include extensive common areas, commercial kitchen, central dining room and activity areas.

**e. Manager (09/08/04)**

A manager is any independent contractor, including any affiliate of the Borrower, that manages and supervises the daily use and operation of the Property.

**f. Medicaid funds (10/31/12)**

While most Seniors Housing Properties will be private-pay, payments from the Medicaid program may be available to assist residents with housing and service costs. Freddie Mac may purchase Mortgages secured by Properties with a limited number of residents who participate in the Medicaid program. To be eligible for purchase, generally not more than 25 percent of the residents at the Property may participate in the Medicaid program (or Medicare or other subsidy, in the aggregate) and not more than 25 percent of the Property's gross income may be derived from Medicaid payments (or Medicare or other subsidy, in the aggregate). The Seller must complete an analysis of whether a Reserve should be required to cover the transition from residents receiving Medicare (or Medicaid or other subsidies) to private pay residents ("transition Reserve") when there is a significant level of Medicaid (or Medicare or other subsidy) income. Freddie Mac will use this analysis to determine whether a transition Reserve will be required. Please contact your Freddie Mac representative when reviewing any Property with tenants who participate in the Medicaid (or Medicare or other subsidy) program.

**g. Operating Leases and Operators (05/11/10)**

Operating Leases are frequently encountered in the Seniors Housing industry. Often they are long-term, triple-net leases with annual rent escalator clauses and sometimes purchase options. Operators (Lessees) under Operating Leases may be affiliated with the Borrower (Lessor) or may be an unrelated third-party Operator. A third-party Operator is expected to be a proven owner or manager of Seniors Housing Properties with the experience levels expected of Freddie Mac Borrowers. Leases must expire, or have lease extension options, beyond the term of the Freddie Mac Mortgage and must be subordinate to Freddie Mac's security interest. Sellers should analyze the lease income as it relates to the Property's



income and to the debt service of the Freddie Mac Mortgage. Normally, management fees must still be included in the underwriting proformas when there is an operating lease in place. Please contact your Freddie Mac representative when reviewing any Property with an Operating Lease.

**h. Skilled Nursing Property (05/11/10)**

Skilled Nursing Properties provide licensed skilled nursing care and related services for patients who require medical, nursing or rehabilitative services. These residences offer private and semi-private rooms. Units are typically small (100 to 250 square feet), with limited furnishings that may be provided by the facility. The units are equipped with patient-monitoring devices and emergency-call systems.

Skilled Nursing Properties are regulated and licensed by the States. See Section 21.3(b) for purchase eligibility requirements.

**i. Seniors Housing Liability Assessment (09/28/18)**

A Seniors Housing Liability Assessment is an assessment for a Seniors Housing Mortgage that will be originated on a Property that includes assisted living, Alzheimer's care or skilled nursing units.

The Seller/Service must provide a Seniors Housing Liability Assessment for each operator to evaluate its risk management practices with respect to employees, residents and incident reporting. The Liability Assessment must be delivered in the full underwriting package and include the elements set forth in Section 55.2.

Seller/Service must ensure that the Seniors Housing Liability Assessment is performed by a professional that meets, at a minimum, the following requirements:

1. Five years of experience in geriatrics/long-term-care clinical practice(s)
2. Five years as a Licensed Administrator, Licensed Practical Nurse (LPN) Registered Nurse (RN), or Physician Extender (PA, RNP)
3. References, which address the following:
  - Scope of work
  - Quality of recommendations given
  - Quality of resources provided
  - Timeliness of work product
4. Sample work product, to include the following:
  - Copy of typical assessment report
  - Sample recommendations based on industry exposures



- Sample resources provided to clients to assist in reducing risk to claims
- Training programs offered
- Monitoring programs offered

Active association with professional organizations is highly desirable.

Seller/Service providers must document the suitability of the professional performing the Seniors Housing Liability Assessment with positive references and sample work product and provide evidence of such documentation as part of the Seniors Housing Liability Assessment.

**j. Stand-Alone Memory Care Property (12/14/23)**

Stand-Alone Memory Care Properties are Properties where 100% of the dwelling units are dedicated to accommodating and providing 24-hour protective oversight, including a combination of housing, personalized supportive and health care services, all within a secure area for residents, for individuals with Alzheimer’s disease or another form of progressive-degenerative dementia.

All States require licensing of Memory Care Properties and most often the licensing is separate from AL licensure.

**21.3 Mortgage eligibility and credit underwriting requirements (12/14/2304/22/25)**

Many Seniors Housing Properties provide a variety of services and have various activities to meet the needs and desires of elderly residents. Many Properties provide a mixture of independent living, assisted living care and, in some cases, provide some skilled nursing care. This mixture of services accommodates aging-in-place as frailty levels change. The Freddie Mac Multifamily Seniors Housing Product has different requirements for different property types. Freddie Mac will determine, in its sole discretion, which requirements are applicable for Properties that provide a mixture of resident services and activities.

**a. Eligible Properties (12/14/23)**

Only Independent Living, Assisted Living Residences, Stand-Alone Memory Care, or Properties providing a variety of resident care services as defined in Section 21.2 are eligible.

**b. Ineligible Properties (05/11/10)**

If a Mortgage is secured by a Property with either of the following conditions, the Mortgage is not eligible for purchase by Freddie Mac:

- A Property in which more than 20 percent of the net operating income is derived from the provision of skilled nursing care, acute medical care or rehabilitative care services, or
- A Property that has a skilled nursing component that does not allocate a minimum of 15 percent of the total number of skilled nursing units for the assisted living or independent





living residents of the Property (i.e., individuals who were residents of the Property prior to entering the skilled nursing facility).

**c. Eligible Borrower (04/13/23)**

A Seniors Housing Borrower or Key Borrower Principal must demonstrate eligibility by meeting all of the following criteria:

- Own or manage comparable facilities in a similar property type (Independent Living Property, Assisted Living Residence, Skilled Nursing Property or CCRC) in similar or adjoining markets
- Have ten or more years' ownership or management experience
- Own or manage a minimum of five properties with at least 500 units

**d. Habitability (09/08/04)**

The Property must meet the requirements of Section 8.2(a) and be designed for the type of seniors care provided, including adequate and appropriate space for congregate and resident care services. The Property must provide adequate security to monitor residents based on their frailty level or care needs. The Property must meet or exceed local building and safety codes and have sprinkler systems.

**e. Licenses and certificates (04/14/22)**

Any and all licenses, certificates and permits required for operation of the Property must be current and in full force and effect. The Seller must provide copies of these licenses, certificates and permits to Freddie Mac as part of the applicable underwriting package (see Section 21.5 and Chapter 55).

If any license is in the name of anyone other than the Borrower, that arrangement must be satisfactory to Freddie Mac in its discretion. The determination of whether such arrangement is acceptable will be made by Freddie Mac in its discretion upon receipt and review of the full underwriting package.

For each party other than the Borrower that holds any license, the Borrower must provide the Certificate of [Operator][Property Manager] – Seniors Housing.

Prior to Mortgage purchase, all pending violations affecting the issuance, validity or continuation of a license, certificate or permit must be corrected or Freddie Mac must approve all plans for correcting such violations and any pending investigation by any governmental or regulatory authority must be resolved to the satisfaction of Freddie Mac.

**f. Occupancy requirements (12/15/20)**

A Seniors Housing Property must have demonstrated a stabilized occupancy for the trailing three-month average prior to underwriting and must have been occupied for at least 12 months. A Property is considered occupied if a certificate of occupancy has been issued and tenants have begun to move in.



Stabilized occupancy is defined as occupancy of at least 85 percent of the living units (or such higher level as may be necessary to cover debt service and pay all other expenses at the level required by the applicable purchase program or product) at a rent level that supports the Freddie Mac Underwriting Value of the Property.

Freddie Mac will establish the occupancy level based on the number of occupied units or, in the case of Properties with semi-private units, the number of resident leases (beds). If a Property has 12 months or more operating history and is an Assisted Living Residence with some semi-private units or a Property with some skilled nursing beds, Freddie Mac will underwrite the Property's occupancy based on a maximum unit-to-bed ratio of 120 percent of the total number of units.

g. Subordinate Financing (04/07/09)

In general, Freddie Mac will not purchase a Seniors Housing Mortgage with Subordinate Financing other than a supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product.

h. Furniture, fixtures, and equipment (04/14/2204/22/25)

1. The Seller must identify, as part of the applicable underwriting package (see Section 21.5 and Chapter 55), any and all furniture, fixtures, equipment, and motor vehicles located on or used in connection with the Property ("FF&E") that is owned or leased by a party other than the Borrower. If all FF&E is owned by the Borrower, the Seller must provide the Borrower's certification to that effect.

2. UCC searches must be conducted for any Operator and/or any Property Manager and must include every office where a financing statement would be filed to perfect a security interest in any of the collateral described in the Financing Statement Exhibit B – Seniors Housing.

If any collateral described in Financing Statement Exhibit B – Seniors Housing is not owned by the Borrower, any Operator, or any Property Manager, UCC searches must be conducted for the owner of that collateral.

Each search must include the jurisdiction of each Operator's, Property Manager's, and/or owner's state of organization. The UCC searches must be dated no earlier than 30 days prior to the Origination Date of the Mortgage. If any financing statements have been recorded, such statements must either be acceptable to Freddie Mac or be terminated prior to the origination date of the Mortgage.

2-3. If any FF&E is owned by a party other than the Borrower, such ownership must be acceptable to Freddie Mac in its discretion. The determination of whether such ownership is acceptable, and whether a security interest is required, will be made by Freddie Mac in its discretion at full underwriting.

3-4. For any FF&E not owned by the Borrower for which Freddie Mac requires a security interest, the owner of the FF&E must enter into a Security Agreement satisfactory in form and substance to Freddie Mac that grants the lender a security interest in such FF&E as additional security for the Mortgage. The proposed Security Agreement, together with

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UCC Financing Statements for each such owner of FF&E, must be provided to Freddie Mac at least 10 days prior to origination of the Mortgage for its review and approval. All necessary financing statements must be filed and all other necessary steps must be taken to perfect the security interest in the FF&E not owned by the Borrower. The security interest and the documents creating it must be assigned to Freddie Mac.

4.5. All necessary financing statements must be filed and all other necessary steps must be taken to perfect the security interest in the FF&E owned by the Borrower. The security interest and the documents creating it must be assigned to Freddie Mac.

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i. **Service contracts (04/14/22)**

1. The Seller must identify, as part of the applicable underwriting package [see Section 21.5 and Chapter 55], all contracts (i) for preparing and serving food (not including food supply contracts), (ii) for medical services or healthcare provider agreements, regardless of annual consideration or term, or (iii) the average annual consideration of which, directly or indirectly, is at least \$50,000. If there are no contracts that fall into the foregoing categories, the Seller must provide the Borrower's certification to that effect.
  - If any contract in the foregoing categories is in the name of anyone other than the Borrower, that arrangement must be satisfactory to Freddie Mac, and the determination of whether such arrangement is acceptable will be made by Freddie Mac in its discretion at full underwriting.
  - Any contract in the foregoing categories must be terminable by the Borrower (or by the manager, if the manager has contracted for the services) or its assignee, upon not more than 30 days' notice to the manager or service provider and without the necessity of establishing cause for termination or the payment of a penalty or fee.
2. Any contracts which Freddie Mac determines are material must be assigned to the lender via the Collateral Assignment of Service Contracts – Seniors Housing before final delivery, and such assignment must be consented to by the provider.

j. **Operating leases and Operators (04/14/2204/22/25)**

1. The Seller must provide, as part of the applicable underwriting package [see Section 21.5 and Chapter 55], copies of all operating leases at the Property that will be in place on the Origination Date, and a completed Operating Lease Analysis for each operating lease.
2. The Loan Documents to which the Operator is a party must be modified to include any suboperator. Such modifications must be submitted to Freddie Mac for review and approval, in its sole discretion, no later than 10 Business Days prior to the Origination Date.
3. The Borrower must grant the lender a lien on all leases, rents and income from the Property including rents paid under the operating lease and the tenant leases, and rents generated by residential subleases of the Property. The operating lease must be subordinate to the Mortgage. Any option to purchase granted under the operating lease (provided any such option to purchase is approved by Freddie Mac in its sole discretion)



- must be subordinate to the Mortgage, so that the lender has and will retain a first and prior lien on all leases, rents and income during the term of the Mortgage.
4. The title insurance policy insuring lender’s lien must insure that the operating lease and any options to purchase are subordinate to the lien of the Mortgage.
- ~~5. UCC searches must be submitted for each Operator and must include every office where a financing statement would be filed to perfect a security interest in any of the collateral described in the Financing Statement Exhibit B—Seniors Housing. Each search must include the jurisdiction of Operator’s state of organization. The UCC searches must be dated no earlier than 30 days prior to the Origination Date of the Mortgage. If any financing statements have been recorded, such statements must be acceptable to Freddie Mac or be terminated prior to the origination date of the Mortgage. If any collateral described in Financing Statement Exhibit B—Seniors Housing is not owned by the Operator, UCC searches must be submitted for the owner of that collateral.~~
- 6.5. Freddie Mac further reserves the right to require the Borrower, Operator, and/or Property Manager to execute separate estoppel certificates, amendments and modifications to the standard Freddie Mac form loan documents, and such other additional documentation as determined by Freddie Mac in order to ensure that the lender receives a fully perfected first priority lien and security interest in all collateral related to the Property and in any contracts necessary to operate the Property.
- ~~7. UCC Financing Statements for the Operator are required and must be provided to Freddie Mac for its review and approval at least 10 days prior to origination of the Mortgage.~~
- 8.6. If the Operator or any ~~property manager of the Property~~ Manager has entered into a commercial lease affecting the Property, such commercial lease must comply with Section 8.11.
- ~~9.7. If the Operator has any licenses, certificates, permits or other approvals or authorizations necessary to use and operate the Property for its Intended Use, an opinion from the Operator’s counsel that such licenses, certificates, permits or other approvals or authorizations are in full force and effect must be provided.~~
- ~~10. If any collateral described in Financing Statement Exhibit B—Seniors Housing is not owned by the Operator, UCC searches must be submitted for the owner of that collateral.~~
- 11.8. The Seller’s counsel must present for consideration by Freddie Mac all proposed loan document modifications at one time and in compliance with the requirements of the Guide. Proposed modifications originating from the Borrower and from the Operator or Property Manager must not be presented separately.

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21.4 Fixed-rate Mortgage requirements (05/05/17)

A fixed-rate Mortgage submitted under the Seniors Housing Mortgage Product must meet the requirements of Section 17.2, unless specifically noted in this section. A fixed-rate Mortgage may be amortizing or may have an interest-only feature. For interest-only Mortgages, all other requirements of an amortizing Mortgage will apply unless specifically noted in this section.



a. Eligible Mortgages; principal amount [replaces Section 17.2(b)] (05/05/17)

A Mortgage for the purpose of refinancing or acquiring the Property is eligible. The principal amount may not be less than \$3 million.

b. Term [replaces Section 17.2(c)] (05/05/17)

The minimum term for an amortizing Mortgage is 5 years.

c. Amortization [replaces Section 17.2(d)] (05/05/17)

The maximum amortization period is 30 years. Loans with a term of 20 years or more must be fully amortizing.

d. Reserved

e. Reserved

f. Sales or transfers of Property or beneficial interests in the Borrower [replaces Section 17.2(j)] (05/05/17)

A Mortgage secured by a Seniors Housing Property will not permit the transfer, sale, conveyance or assignment of the Property or beneficial interests in the Borrower. Any such Mortgage will be due upon such a transfer.

g. Vacancy/collection loss [replaces Section 17.2(k)] (05/05/17)

Freddie Mac will calculate the vacancy and collection loss rate on the maximum number of units, or beds for Properties with semi-private units [see Section 21.3(f)].

The vacancy and collection loss rate used in underwriting Seniors Housing Properties may not be less than five percent.

h. Servicing Spread (05/05/17)

See Section 17.2(m).

21.5 Underwriting package requirements (04/15/21)

See the following for information regarding the content of underwriting packages:

- Section 21.8, Standard delivery – LST
- Section 21.9, Standard delivery – full underwriting package
- Section 21.12, Early rate lock delivery option – preliminary underwriting package
- Section 21.14, Early rate lock delivery option – full underwriting package



Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

**21.6 Standard delivery (04/15/21)**

Standard delivery is the preferred delivery process for Seniors Housing transactions because these transactions require additional documentation and information pertaining to regulatory or other operational history. Unless otherwise stated in this chapter, all requirements of Chapter 27 pertaining to the standard delivery option apply.

**21.7 Early rate lock delivery option (04/15/21)**

The early rate lock delivery option is available for Seniors Housing Mortgages. Unless otherwise stated in this chapter, the provisions of Chapter 27 pertaining to the early rate lock delivery option apply.

**21.8 Standard delivery—LST (04/15/21)**

Sellers wishing to take advantage of Freddie Mac's standard delivery begin the process with the submission of Freddie Mac's LST and supporting documents.

**21.9 Standard delivery—full underwriting package (04/15/21)**

After Freddie Mac issues a preliminary Quote, the Seller may deliver a full underwriting package to Freddie Mac.

The nonrefundable application fee as set forth in Section 27.6(a) will be deemed earned by Freddie Mac at the earlier of delivery of the full underwriting package or 30 days after the date the Borrower executes the Seller Application, and will be payable by Seller by wire transfer to Freddie Mac as set forth in Sections 27.6(b) and 27.6(d).

Freddie Mac specifies the list of documents that Sellers must include in the full underwriting package sent to Freddie Mac in Section 1.1 of Exhibit 1.

Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting package, 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.

**21.10 Standard delivery—final delivery (04/15/21)**

Within the time specified in Exhibit A to the Letter of Commitment, the Seller must deliver to Freddie Mac all of the documents listed in the applicable Final Delivery Table of Contents provided at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase). The Seller must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the Final Delivery Instructions, also found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase). For late delivery or nondelivery provisions, see Sections 27.24 and 27.26.



**21.11 Standard delivery—funding (05/01/14)**

After final delivery of a Mortgage, other than Multifamily Housing Bond Credit Enhancement transactions (see Section 21.15), Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Section 32.1(c) for provisions relating to funding.

**21.12 Early rate lock delivery option—preliminary underwriting package (10/14/16)**

Freddie Mac specifies the list of documents that Sellers must include in the preliminary underwriting package sent to Freddie Mac in Section 1.1 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.

**21.13 Reserved**

**21.14 Early rate lock delivery option—full underwriting package (10/14/16)**

Within the time period specified in the application, the Seller must deliver a full underwriting package to Freddie Mac.

Freddie Mac specifies the list of documents that Sellers must include in the full underwriting package sent to Freddie Mac in Section 1.1 of Exhibit 1.

The full underwriting package must include any document included in the preliminary underwriting package for which there is a material change. For a complete description of Freddie Mac's requirements for each document, including a description of the required content and whether the document must be certified, see Chapter 55, Documentation and Deliveries. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

**21.15 Multifamily Housing Bond Credit Enhancement for Seniors Housing (05/05/17)**

Seniors Housing Properties financed with the proceeds from multifamily housing bonds must meet the requirements of Chapter 28 and the following requirements of this chapter:

1. Mortgage eligibility and credit underwriting (see Section 21.3)
2. General underwriting requirements (see Section 21.4)
3. Appraiser and Appraisal requirements (see Section 21.16)
4. Insurance requirements (see Section 21.17)
5. Application fee (the greater of \$5,000 or 0.15 percent of the proposed Mortgage amount)
6. Final delivery requirements (see Section 21.18)



- 7. General Servicing requirements (see Section 21.19)
- 8. Risk assessments (see Section 21.20)

**21.16 Appraiser and Appraisal requirements (10/31/12)**

Unless otherwise stated in this section, each Seniors Housing Mortgage must meet the requirements of Chapter 60.

In addition, the appraiser and Appraisal for Properties financed through Freddie Mac's Seniors Housing Product must meet the requirements in the remainder of this section.

**a. Appraiser qualifications (12/07/04)**

In addition to the requirements of Section 60.4, each appraiser performing Appraisals of Seniors Housing Properties must be experienced in, and actively and regularly engaged in, appraising Seniors Housing and healthcare properties with complexity and characteristics similar to those of the Property. The appraiser must also be knowledgeable about current real estate market conditions and financing trends for all of the types of Seniors Housing Properties defined in Section 21.2 and be knowledgeable about such market conditions and trends in the geographic market area where the Property is located.

**b. Information provided to appraiser by Seller/Service (05/11/10)**

In addition to the requirements set forth in Section 60.6, the Seller/Service must provide the appraiser with information related to the tenancy and occupancy history of the Seniors Housing Property, including, but not limited to:

- 1. Actual and average number of tenants at the Property for the preceding three years
- 2. Typical fee for double occupancy units and second residents
- 3. Number of units that the Borrower makes available for occupancy on a semi-private basis
- 4. Feasibility study, if available, conducted for the Borrower for Properties with less than 18 months operating history

**c. Sales and rental competition (12/07/04)**

Because there may be a limited number of comparable Seniors Housing Properties in the Property's market area, the appraiser may use sales and rental comparables for similar properties located in markets similar to that of the Property. All other requirements of Section 60.16 apply.

**d. Management/property operations (12/07/04)**

The appraiser must provide a narrative description of the management firm and management practices. The appraiser must include available documentation related to policies, procedures, staffing and training.





**e. Capital needs over the term of the Mortgage (Replacement Reserves) for Seniors Housing (10/31/12)**

The consultant must identify repairs and replacements that must be performed prior to, or in connection with, the purchase of the Mortgage. The consultant must also provide an assessment of the Property that:

- Projects the need for replacements and repairs for the term of the Mortgage
- Determines a range for the per unit/per year Replacement Reserves based on level of service, the Property condition, the building materials, quality of equipment and the complexity of the building components based on the following categories:
  - Age Restricted:
    - Excellent condition, well maintained with proactive maintenance - Minimal Reserves (\$150-\$250/per unit/per year)
    - Adequate condition requiring typical repairs/replacements during the term of the Mortgage – Average Reserves (\$250-\$350/per unit/per year)
    - Fair condition requiring substantial replacement/repairs during the term of the Mortgage – Major Reserves (\$350-\$450/per unit/per year)
  - Independent living – Average Reserves (\$200-\$300/per unit/per year)\*
  - Assisted living – (\$250-\$350/per unit/per year)\*
  - Skilled nursing – (\$300-\$400/per unit/per year)\*

\* (Assumes adequate to excellent condition)

Freddie Mac will review the consultant’s assessment and determine the actual Replacement Reserve amount.

**21.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (01/01/13)**

If the Property has assisted living, Alzheimer’s care, and/or skilled nursing units, the Borrower must obtain professional liability insurance meeting the requirements of Section 31.17.

**21.18 Final delivery requirements (05/01/14)**

The Final Delivery Package must meet the requirements of Chapter 32, and the applicable Final Delivery Table of Contents and the Final Delivery Instructions, found at [mf.freddie.mac.com/lenders/purchase](http://mf.freddie.mac.com/lenders/purchase).



**21.19 General Servicing policy for Seniors Housing Mortgages (04/15/21)**

Unless otherwise stated, the Servicing of each Seniors Housing Mortgage must meet the requirements of Chapters 36 through 43.

**a. Property performance reporting frequency (04/15/21)**

Unless otherwise specified in the Loan Documents, the Servicer must perform periodic assessments of each Seniors Housing Mortgage in accordance with the provisions of Chapter 40.

If Freddie Mac requires the Servicer to collect and review the Property's income and expense statements more frequently than annually, the Servicer must provide copies of the interim statements and its review of the statements to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*.

The Servicer must review and analyze the statements to determine that there have been no material changes to the property cash flow since the previous reporting period or since loan origination. The Servicer must retain this information in the Mortgage File. The Servicer must report to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* within 30 days after receipt of the property financials any material findings that, in the Servicer's opinion, will likely impact the performance of the Property or payment on a timely basis.

**b. Additional reporting requirements for Seniors Housing Mortgages (04/30/19)**

In addition to the requirements for periodic assessments required by Chapter 40, the Servicer must perform the following additional reporting for Seniors Housing Mortgages, as applicable:

**1. Regulatory performance information**

The Servicer must obtain a copy of any license or certificate no later than 30 days after its renewal and immediately forward it to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*.

The Servicer must forward to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* within 10 days of receipt any notice from any government regulatory agency, licensing agency, or certifying agency received from the Borrower or such agency that any license is being downgraded to a substandard category, revoked or suspended, or that any violations, fines, findings, investigations or corrective actions concerning any license are pending or are being considered. If, in the Servicer's opinion, the information represents a material finding that will likely impact the Property's future performance or result in fines, the Servicer must immediately contact the director of Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*. At least quarterly, the Servicer must specifically inquire of the Borrower and the Management about the existence of any regulatory performance issues.

**2. Public health and safety notices**

The Servicer must forward to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* within 10 days of receipt any report of health or safety

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code violations, food service violations or any other notice or statement of deficiencies received from the Borrower, the Management or any regulatory agency, licensing agency or other agency along with the Servicer's evaluation of the impact on the Property and a plan of correction.

At least quarterly, the Servicer must specifically inquire of the Borrower or Management about the existence of any such issues.

3. Changes to the Property

In addition to complying with the requirements of Section 43.12, the Servicer must monitor the Property and notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* immediately if the Servicer becomes aware that the Borrower intends to alter or has altered the nature of the resident care provided at the Property, intends to change or has changed the number of units dedicated to a specific type of resident care from the number identified in the Loan Documents or intends to change or has changed the types of subsidies received.

4. New service contracts, licenses, permits and certificates

If the Servicer becomes aware that the Borrower or Manager has entered into a new service contract or has received a new license, permit or certificate necessary for the operation of the Property, the Servicer must obtain from the Borrower or Manager, as applicable, an assignment of the service contract, license, permit or certificate in a form acceptable to Freddie Mac. In the case of a service contract, the provider of the services must consent to the assignment.

<b>Summary report:</b>	
<b>Litera Compare for Word 11.0.0.61 Document comparison done on 4/17/2025 3:39:11 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 21 - Originating Seniors Housing Mortgages GB-12-14-23.docx	
<b>Modified filename:</b> 21 - Originating Seniors Housing Mortgages GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	21
<u>Delete</u>	22
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<u>Move To</u>	0
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<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>43</b>

# Multifamily Seller/Service Guide

## Chapter 22

### Originating a Mortgage under the Multifamily Manufactured Housing Community Project



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- d. Eligible Borrower and Borrower Principal requirements (04/13/23)
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#### 22.7 Seismic Risk Assessment requirements for Manufactured Housing Communities (12/15/22)

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22.8 Seller property inspections (04/18/24)

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- a. ~~Manufactured Housing Unit Endorsement (03/03/17)~~Manufactured Housing Unit Endorsement (04/22/25)
- b. ~~Additional survey requirements (03/03/17)~~Additional survey requirements (04/22/25)
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- a. Rent schedule [replaces Section 5.2(a)] (07/01/14)
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22.14 Additional documents required for the underwriting package (06/17/21)



## 22.1 Overview (12/14/23)

### a. The Multifamily Manufactured Housing Community Product (12/14/23)

Under the Multifamily Manufactured Housing Community Product (MHC), Freddie Mac purchases Mortgages secured by Manufactured Housing Communities from Optigo Lenders using the requirements of this chapter and one of the following Freddie Mac Mortgage purchase programs or products:

- Multifamily Conventional Cash Mortgage Purchase Program, Chapter 17
- Multifamily Supplemental Mortgage Product, Chapter 20

Chapter 32 contains the requirements for final delivery of Mortgages to Freddie Mac and applies to each MHC Mortgage, except as noted in this chapter.

Except as otherwise specified by this chapter, the provisions of Chapter 27 shall apply.

All Mortgages submitted for purchase under the MHC Product must comply with the requirements of all other applicable chapters of the Guide, including Chapters 8, 9, 10, 40, 55, 60, 61, 62 and 64.

Freddie Mac will consider purchasing Mortgages secured by Manufactured Housing Resident-Owned Communities (MHROCs), subject to the applicable requirements set forth in this Chapter 22, and certain additional requirements as determined by Freddie Mac. For additional information, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

MHC Mortgages with MHC Tenant Protections, including all MHC Mortgages quoted on or after September 1, 2021 (unless MHROC, government-owned, or non-profit owned), are required to incorporate all MHC Tenant Protections in written agreements with Applicable MHC Residents. For more information refer to Sections 22.2(p), 40.16 and 55.2.

Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

### b. Definitions (04/14/22)

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

#### 1. Applicable MHC Resident(s)

- MH Home Owners; and
- If the Mortgage has a Loan Agreement with a “Rider to Multifamily Loan and Security Agreement – Manufactured Housing Community – MHC Tenant Protections” having a revision date on or after 4/25/2022, all other renters of a Manufactured Home in the MHC

For purposes of clarification, the following are not “Applicable MHC Residents”: (1) owners of a recreational vehicle (including a park model home) located in the MHC, (2)

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renters in a building located in the MHC, and (3) renters of a recreational vehicle (including a park model home) located in the MHC.

## **2. Manufactured Home**

A manufactured home that is located in a Manufactured Housing Community.

## **3. Borrower-Owned Home**

A Manufactured Home that is owned by the Borrower and not by residents of the Manufactured Housing Community, Affiliates of the Borrower or other third parties.

## **4. Down Home Site**

A Home Site that cannot be made ready for the installation of a Manufactured Home with routine maintenance and repairs.

## **5. Home Site**

A rental site or lot contained within a Manufactured Housing Community where a Manufactured Home is permitted to be located and/or installed. A Home Site, also referred to as a “pad site,” will frequently include a concrete or other stable surface upon which a Manufactured Home may be placed, with hook-ups for connection to utilities available in the Manufactured Housing Community.

## **6. Manufactured Housing Community (MHC)**

A residential real estate development that includes Home Sites for Manufactured Homes, related amenities, recreational facilities, utility services, landscaping, roads and other infrastructure, and Borrower-Owned Homes.

## **7. Manufactured Housing Resident-Owned Community (MHROC)**

An MHC that is owned by a cooperative housing association or corporation. Each owner of a Manufactured Home owns stock in the cooperative entitling such owner to occupy a specific Home Site, subject to a proprietary lease between the owner of the Manufactured Home and the cooperative. Home Sites occupied by renters, who do not own shares in the cooperative, are subject to standard rental leases with the cooperative. Mortgages on MHROCs are eligible for purchase subject to the requirements set forth in Section 9.5.

## **8. MH Home Owner**

A residential tenant of the Property who:

- Owns a Manufactured Home located on the Property; and
- Is not the Borrower, any Affiliate of the Borrower or any third-party investor that rents Manufactured Homes to tenants

## **9. MHC Mortgage**

A Mortgage that is secured by a Manufactured Housing Community.





## 10. MHC Tenant Protections

a. **For any Mortgages that have a Loan Agreement with a “Rider to Multifamily Loan and Security Agreement – Manufactured Housing Community – MHC Tenant Protections” having a revision date *before* 4/25/2022**, MHC Tenant Protections include the following minimum protections:

1. MH Home Owner is entitled to a one-year renewable lease term unless there is good cause for non-renewal.
2. MH Home Owner must receive at least 30-days’ prior written notice of any increase in rent.
3. MH Home Owner is entitled to a 5-day grace period for the failure to timely pay rent and has the right to cure any default in the payment of rent.
4. MH Home Owner is entitled to sell its Manufactured Home to a buyer that qualifies as a new tenant in the MHC, without having to first relocate such Manufactured Home outside of the MHC.
5. MH Home Owner has the right to sell the Manufactured Home in place within 30 days after eviction by the MHC owner.
6. MH Home Owner has the right to sublease or assign its Home Site lease for the unexpired term, to the new buyer of the MH Home Owner’s manufactured home without any unreasonable restraint, as long as the prospective buyer or sublessee qualifies as a new tenant within the MHC.
7. MH Home Owner has the right to post “For Sale” signs that advertise the sale of its Manufactured Home, provided that such signs comply with the MHC rules and regulations.
8. MH Home Owner has the right to receive at least 60 days’ notice of any planned sale or closure of the MHC.

If any of the foregoing requirements violate applicable law then such requirement(s) will be deemed automatically void and of no force or effect. The invalidity or unenforceability of such requirement(s) will not affect the validity or enforceability of any other provision of the written agreements containing the MHC Tenant Protections and all other provisions of any such agreement will remain in full force and effect.

b. **For any Mortgages that have a Loan Agreement with a “Rider to Multifamily Loan and Security Agreement – Manufactured Housing Community – MHC Tenant Protections” having a revision date *on or after* 4/25/2022**, MHC Tenant Protections include the following minimum protections:

1. MH Home Owner is entitled to a one-year renewable lease term unless there is good cause for non-renewal. “Good cause” includes: (1) violations of law by MH Home Owner, (2) an existing default in the payment of rent by MH Home



Owner at the time of lease renewal (subject to any applicable grace period and cure rights), and (3) serious or repeated violations of the material terms and conditions of its lease by MH Home Owner.

2. Applicable MHC Resident must receive at least 30-days' prior written notice of any increase in rent.
3. Applicable MHC Resident is entitled to a 5-day grace period for the failure to timely pay rent and has the right to cure any default in the payment of rent within the cure period set forth in its lease, if any. If no cure period for a default in the payment of rent exists in its lease, then Applicable MHC Resident has the right to cure any default in the payment of rent within 10 days after the expiration of the 5-day grace period described above.
4. MH Home Owner is entitled to sell its Manufactured Home to a buyer that qualifies as a new tenant in the MHC, without having to first relocate such Manufactured Home outside of the MHC.
5. MH Home Owner has the right to sell the Manufactured Home in place within 30 days after eviction by the MHC owner, subject to the MHC owner's right to prevent a dangerous condition or any threat or risk of bodily harm to tenants or visitors of the MHC, and provided, further, that, nothing in this section prohibits MHC owner from exercising any other right or remedy available against MH Home Owner under law.
6. MH Home Owner has the right to (a) sublease, and (b) assign the pad site lease for the unexpired term, to the new buyer or sublessee of the MH Home Owner's manufactured home without any unreasonable restraint, so long as the new buyer or sublessee, as applicable, qualifies as a new tenant within the MHC (including satisfying MHC owner's applicable credit and background checks and any requirements in the MHC's rules and regulations).
7. MH Home Owner has the right to post "For Sale" signs that advertise the sale of its Manufactured Home, provided that such signs comply with the MHC rules and regulations.
8. Applicable MHC Resident has the right to receive at least 60 days' notice of any planned sale or closure of the MHC.

If any of the foregoing requirements violate applicable law (including if applicable law provides a more favorable protection to the residents of the MHC), then such requirement(s) will be deemed automatically void and of no force or effect. The invalidity or unenforceability of such requirement(s) will not affect the validity or enforceability of any other provision of the written agreements containing the MHC Tenant Protections and all other provisions of any such agreement will remain in full force and effect.

## **11. MHC Tenant Protections Document(s)**

The MHC Tenant Protections Document(s) include:



- Residential leases, including new residential leases or amendments to or restatements of existing residential leases
- MHC rules and regulations that are incorporated by reference into residential leases, and if applicable, the MHC Tenant Protections Notification(s) as described in Section 22.2(p)
- Any other document approved by the lender on or prior to the origination date of the Mortgage

The MHC Tenant Protections Document(s) must comply with applicable law and be valid and enforceable against the Borrower and the Applicable MHC Residents.

## 22.2 Mortgage eligibility and Property requirements (12/14/23)

To be eligible for purchase by Freddie Mac under the MHC Product, an MHC Mortgage and the Property secured thereby must meet the requirements set forth in this section.

Freddie Mac will consider purchasing Mortgages secured by Manufactured Housing Resident-Owned Communities, subject to the applicable requirements set forth in this Chapter 22, and certain additional requirements as determined by Freddie Mac. For additional information, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

### a. Eligible Properties (12/14/23)

The Property must comply with the following:

- The MHC must be located in an area evidencing acceptance of MHC housing
- The MHC must comply with community rules and regulations and contain at least the following amenities:
  - Monument signage
  - A separate, on-site management and leasing office
  - All roads and parking areas must be paved. There may be no dead-end or one-way streets (cul-de-sacs are acceptable).
  - Landscaping must be maintained consistently throughout the MHC
- The occupancy history of the MHC should display a turnover rate that is appropriate to the local market illustrating that the MHC is viable and that there is appropriate demand for manufactured housing
- Initial lease terms should be a minimum of 12 months
- There may be no abandoned Manufactured Homes or structures



- All commercial space located within the MHC must be compatible with the residential nature of the MHC

**b. Ineligible Properties (06/29/17)**

An MHC Mortgage is not eligible for purchase by Freddie Mac if any one of the following conditions apply:

- The Property is the subject of a condominium regime and the Borrower does not own all of the residential condominium units (including any Home Sites) contained within such condominium
- The Property is determined by Freddie Mac to be a recreational vehicle campground
- The Property is subject to any leases with options to purchase Home Sites or Borrower-Owned Homes
- The Borrower is engaged in retail sales or financing of Manufactured Homes, including any rent-to-own programs
- The Borrower, Affiliates of the Borrower and any third-party investors own, in the aggregate, more than 25 percent of the Manufactured Homes within the MHC

**c. Ineligible Programs and Products (07/01/14)**

An MHC Mortgage originated under any of the following Programs or Products is not eligible for purchase by Freddie Mac:

- Multifamily Seniors Housing Product
- Targeted Affordable Housing Cash Mortgage (including those originated under a Forward Commitment)
- Targeted Affordable Housing Bond Credit Enhancement Mortgage (including those originated under a Forward Commitment)

**d. Eligible Borrower and Borrower Principal requirements (04/13/23)**

At least one of the Key Borrower Principals must demonstrate eligibility by meeting the following criteria:

- Having at least two years of prior ownership, operation or management experience of MHCs
- Owning at least one other MHC

**e. Occupancy requirements (06/30/15)**

An MHC must have demonstrated a stabilized occupancy for no fewer than three consecutive months prior to loan closing and as of the Delivery Date. An MHC is considered occupied if it



has received all permits and licenses necessary for occupancy by residents and Manufactured Homes have been placed by residents on the Home Sites contained within the MHC.

Stabilized occupancy is generally defined as an occupancy rate of at least 85 percent of the Home Sites (or such higher level as may be necessary to cover debt service and pay all other expenses at the level required by the applicable purchase program or product) at a rent level that supports the Freddie Mac Underwriting Value of the Property.

**f. Structure type and habitability [replaces Section 8.2(a)] (07/01/14)**

The MHC must contain five or more Home Sites and must be designed, in whole or in part, for residential use. Construction of the MHC, including subsurface utilities and off-site improvements, must be completed as of the Delivery Date. If improvements cannot be completed for valid reasons, such as inclement weather, an adequate Reserve for the incomplete items must be established. Reserves must also be established for any repairs, improvements, alterations, conditions or construction required by the appraiser, engineer and/or Freddie Mac. A satisfactory completion certificate, accompanied by color photographs, must be submitted to Freddie Mac. The MHC must be served by public water and sanitary sewer systems or private wells and waste treatment systems that meet the requirements set forth in this chapter.

**g. Manufactured Home and Home Site requirements (12/14/23)**

All Manufactured Homes located in the MHC must:

- Comply with all applicable State and local requirements,
- Be supported by concrete blocks, concrete piers or steel piers,
- Be professionally skirted and have 100 percent of hitches/jackposts completely concealed, and
- Have exteriors and pad sites that meet community rules and regulations.

Freddie Mac prefers that all Manufactured Homes located in the MHC comply with the requirements of the Federal Manufactured Home Construction and Safety Standards of 1974 (42 USC chap. 70; 24 CFR Part 3280), as amended.

Generally, all Home Sites should have:

- Concrete patios or porches with entries into the Manufactured Home that are compliant with code and community rules and regulations
- Access to concrete or asphalt parking provided by at least one of the following:
  - A driveway leading to an off-street parking space adjoining the Manufactured Home
  - A parking lot serving the MHC



- On-street parking so long as traffic flow in the MHC is unimpaired

The Borrower must certify that all Manufactured Homes have been installed in accordance with all applicable federal, State and local zoning and building codes.

**h. Insurance (07/01/14)**

Each MHC must meet the insurance requirements in Chapter 31 including Section 31.28 which outlines insurance requirements specific to MHC Properties.

**i. Replacement Reserves for MHCs (07/01/14)**

In addition to the requirements set forth in Section 62.6(d), for each MHC Mortgage the Replacement Reserve Amount for the Property must be at least:

- \$50/Home Site/year, and
- \$250/Manufactured Home/year, for each Borrower-Owned Home that is included in the collateral for the MHC Mortgage

Freddie Mac will review the property condition consultant's assessment and determine the actual Replacement Reserve amount.

**j. Property management (06/30/15)**

In addition to the requirements of Section 8.13, the Property should have daily, on-site property management. If daily, on-site property management cannot be provided, then the Property must be professionally managed by a property management company that is experienced in the management of Manufactured Housing Communities and is otherwise acceptable to Freddie Mac.

**k. Subordinate Financing (07/01/14)**

In general, Freddie Mac will not purchase an MHC Mortgage with Subordinate Financing other than a supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product.

**l. Special Flood Hazard Area (06/30/15)**

Freddie Mac will purchase a Mortgage secured by a Manufactured Housing Community located in Special Flood Hazard Area subject to the insurance requirements in Chapter 31, including Section 31.28. In addition, if any Manufactured Homes on the Property are located in a Special Flood Hazard Area, the Seller must deliver to Freddie Mac, in the Final Delivery Package, a certification by Borrower that all residents or tenants of such Manufactured Homes have been notified that their Manufactured Homes are located in a Special Flood Hazard Area.





**m. Wood-damaging insect inspection report (12/15/16)**

The wood-damaging insect inspection requirements in Section 8.2(e) may be waived if the following conditions are satisfied:

- In the property condition report, the property condition consultant comments that no obvious evidence of wood-damaging insects (e.g., termites, powderpost beetles, and carpenter ants, etc.) and/or deterioration damage was observed or reported, subject to the requirements in Section 62.5(e).
- All structures included in the collateral for the Mortgage are non-residential.

**n. Moisture Management Plan (06/30/15)**

The Moisture Management Plan requirements in Section 8.3(a) may be waived if the following conditions are satisfied:

- In the property condition report, the property condition consultant comments that no obvious evidence of moisture damage was observed or reported, subject to the requirements in Section 62.5(d).
- All structures included in the collateral for the Mortgage are non-residential.

**o. Asbestos-containing material (ACM) – testing requirements (02/16/23)**

The ACM—environmental assessment protocol described in Section 61.10(b) may be waived if the following conditions are satisfied:

1. Friable ACM is located only in communal buildings such as the leasing office, clubhouse, etc.
2. Friable ACM is not easily accessible.
3. Friable ACM is clearly and sufficiently encapsulated.
4. Friable ACM is in undamaged condition.

**p. MHC Tenant Protections (04/14/22)**

Borrowers are required to include all eight of the MHC Tenant Protections (including the conflicts with law provision) outlined in Section 22.1(b)(10) above in written agreements with Applicable MHC Residents within 12 months after the Origination Date of the Mortgage (unless MHROC, government-owned, or non-profit owned).

The MHC Tenant Protections may be incorporated into residential leases, MHC rules and regulations that are incorporated by reference into residential leases, or other agreements approved by the Seller/Servicer and Freddie Mac, so long as the Borrower obtains an executed copy of such agreement from each Applicable MHC Resident. If the Borrower elects to incorporate the MHC Tenant Protections in the MHC rules and regulations, and the Mortgage is originated on or after August 2, 2021, then in lieu of obtaining a written



acknowledgment from each Applicable MHC Resident, the Borrower may deliver to each Applicable MHC Resident a written notification listing the MHC Tenant Protections set forth in the MHC rules and regulations (“the **MHC Tenant Protections Notification**”). The MHC Tenant Protections must apply to all existing and future Applicable MHC Residents and must remain in effect throughout the term of the Mortgage.

The entry for MHC Mortgages in Section 55.2 contains the underwriting documentation and Section 40.16 contains the additional Servicing requirements necessary for these Mortgages.

For additional information regarding these requirements, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

### 22.3 Fixed-rate Mortgage requirements (06/29/17)

A fixed-rate Mortgage submitted under the MHC Product must meet the requirements of Section 17.2, unless specifically noted in this section.

#### a. Eligible Mortgages; principal amount [replaces Section 17.2(b)] (05/05/17)

MHC Mortgages for the purpose of the refinancing or acquisition of the Property are eligible for purchase. Freddie Mac may also consider purchasing MHC Mortgages that include moderate rehabilitation of the Property, subject to additional conditions. The principal amount of any MHC Mortgage may not be less than \$1 million.

#### b. Term (06/29/17)

See Section 17.2(c).

#### c. Maximum amortization period (07/01/14)

The maximum amortization period is 30 years.

### 22.4 Floating rate Mortgage requirements (05/05/17)

A Floating rate Mortgage submitted under the MHC Product must meet the requirements of Section 17.2, as modified by Section 17.3, except that the principal amount of any MHC Mortgage may not be less than \$1 million.

### 22.5 Appraiser and Appraisal requirements (06/17/21)

In addition to meeting the requirements of Chapter 60, the appraiser and any Appraisal for a Property financed through Freddie Mac's MHC Product must meet the requirements in the remainder of this section.

#### a. Appraiser qualifications (07/01/14)

In addition to meeting the requirements of Section 60.4, each appraiser performing Appraisals of MHCs must be experienced in, and actively and regularly engaged in, appraising MHCs with the complexity and characteristics similar to those of the Property. Relevant experience includes having previously appraised at least five MHCs within the last

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three years. This experience must be demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must also be knowledgeable about current real estate market conditions and financing trends for all of the types of MHCs, including any age-restricted MHCs, and be knowledgeable about such market conditions and trends in the geographic market area where the Property is located.

**b. Appraisal report requirements (06/17/21)**

The following requirements apply to each Appraisal for an MHC, in addition to the Appraisal requirements set forth in Chapter 60.

**1. Rental and sale comparable MHCs**

Freddie Mac requires the use of comparable properties developed or leased for MHCs. If comparable MHCs are not available in the local market, the appraiser may use comparable regional MHCs. If regional comparable MHCs are not available, national comparable MHCs in similar markets can be used. Appropriate adjustments for comparable MHCs should be made due to location. Rental and sale comparable properties should be similarly classified to the Property (e.g., whether such MHC is age-restricted). If such comparable MHCs are not available, the appraiser must discuss the adjustments necessary to correlate the comparable MHC values with the Property's value.

When analyzing comparable properties for valuation, the appraiser must declare whether, to the best of its knowledge after due inquiry, non-realty items such as Manufactured Homes, contributory business value, personal property, and/or going concern value, revenue from snack bars, restaurants, water parks, golf courses or related membership payments are included in the sales price.

For both sales and rent comparable properties, the appraiser must also identify and consider the following in the Appraisal:

- The percentage of Homes owned by the MHC owner, an Affiliate of the MHC owner, and investors
- The percentage of recreational vehicles and their rent structure

**2. Revenue and expenses**

**A. Seasonality and pre-paid rents**

In addition to the requirements of Section 60.17(d), the appraiser must review and understand how management's Rent collection policies and procedures accommodate seasonal fluctuations in operating income, including those from recreational vehicles. If any of the residents at the MHC pay rent more than 30 days in advance of their respective due dates, the appraiser must discuss this trend in their analysis and explain the impact to their valuation.

**B. Revenue and expense structures**



The appraiser must review and understand any planned changes to the revenue and expense structure that will affect income flows, such as rent changes and expense pass-throughs, and incorporate them into its analysis.

If there are Homes owned by the Borrower or an Affiliate of the Borrower, the appraiser should evaluate if the allocation of Home Site rent and Home rent is congruent with the market.

### **3. Separate valuations for realty and non-realty**

The Appraisal must clearly and prominently report the total market value of the Property as well as an allocation for Borrower-owned Manufactured Homes, contributory business value, personal property and/or other non-real estate items.

In an acquisition, the appraiser must duly inquire about the price to be paid for Manufactured Homes owned by the Borrower or an Affiliate, and if the purchase of such Manufactured Homes is a condition of the sale. The responses should be considered in the appraiser's valuation.

The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

### **4. Affordability analysis**

The Appraisal must include an evaluation of and report on alternative housing options to determine the affordability of owning a Manufactured Home at the Property. These housing options are evaluated to estimate the competitive position of the Property in the housing market. The evaluation in the Appraisal must include a comparison of the cost of owning a Manufactured Home at the Property, purchasing a single-family home in the region and renting an apartment in the region.

## **22.6 Property condition and environmental reports (04/18/24)**

In addition to meeting the requirements of Chapters 61 and 62 with respect to environmental and property condition reports, the following requirements apply to all Mortgages secured by MHC Properties. In the event of a conflict between the requirements of Chapters 61 or 62 and the requirements of this section, the requirements of this section will apply.

### **a. Property condition consultant qualifications and requirements (07/01/14)**

In addition to the requirements set forth in Section 62.8(b), a property condition consultant must have two or more years of experience preparing property condition reports and performing inspections of MHCs.

### **b. Property description and evaluation (04/18/24)**

In its review of the physical condition of the MHC, the property condition consultant must perform the following:



## 1. Private wells

- Inspect all visible components and describe the system, including its historical operations and adequacy
- Verify that access to equipment is restricted to authorized personnel
- Provide costs for connecting to the municipal water system if one is readily available
- Identify any backup water source in the event the system becomes unusable – if no source is in place, provide recommendations and costs for providing one
- Confirm historical operations of the system, including any violations
- Identify reserves needed to maintain the system
- Confirm that private wells are common to the market
- Confirm that the Borrower is the only party using or authorized to use the private wells servicing the MHC (i.e., no third-party has the right to tie-in to the Borrower's private wells and the Borrower's license or authorization to operate the private wells is not conditioned on providing private well services to another property).
- Confirm professional third-party maintenance
- Confirm that private wells meet or exceed applicable federal, state, and local requirements
- Confirm that wells are neither owned nor maintained by residents

## 2. Waste treatment system

- Inspect all visible components and describe the system, including its historical performance and adequacy
- Verify that access to the system is restricted to authorized personnel
- Provide costs necessary to link into the municipal waste system if one is readily available
- Describe the leach field and distance to surrounding bodies of water that could be impacted by the effluent
- Confirm historical operations of the system, including any violations
- Identify reserves needed to maintain the system and leach field



- Confirm that no buildings or structures are located on top of the leach field
- Confirm that private waste treatment systems are common to the market
- Confirm that the Borrower is the only party using or authorized to use the private waste treatment system or private waste system network servicing the MHC (i.e., no third-party has the right to tie-in to the Borrower's private waste treatment system and the Borrower's license or authorization to operate the private waste treatment system is not conditioned on providing private waste treatment services to another Property).
- Confirm professional third-party maintenance
- Confirm that the waste treatment system meets or exceeds applicable federal, State, and local requirements
- Confirm that waste treatment systems are neither owned nor maintained by residents

### **3. Flood zone**

Determine if the MHC is located in a flood zone.

### **4. Pad sites**

- Describe pad sites, including lot size
- Describe utilities provided to the pad sites
- Provide lot size mix based upon the maximum size each pad site can accommodate (single-wide, double-wide, etc.). Additionally, confirm with management if smaller Manufactured Homes are allowed on pad sites intended for larger Manufactured Homes and if pad sites intended for smaller Manufactured Homes (e.g., single-wide) are allowed to be combined to accommodate larger Manufactured Homes (e.g., double-wide).
- Inspect and comment on all vacant and Down Home Sites, detailing the condition of the pad site, utility connections and landscaping.

### **5. Decks and patios**

Confirm that decks and patios are compliant with code, sound and provide adequate access to all Manufactured Homes.

### **6. Manufactured Home installation**

Confirm that the installation of the Manufactured Homes is in compliance with all zoning and building codes.

### **7. Skirting and hitches**



Confirm that all Manufactured Homes are professionally skirted (specify materials) and identify if there are any exposed hitches.

#### **8. Inspection of Borrower-Owned Homes and buildings**

- Follow Guide requirements for inspection of Borrower-owned buildings (clubhouse, laundry, etc.)
- Inspect 10 percent of Borrower-Owned Homes with a minimum of two
- Inspect all vacant and down Borrower-Owned Homes
- If Manufactured Homes are vacant but are not part of the collateral, then the exteriors of such Manufactured Homes must be inspected.

#### **9. Tenant-owned ancillary structures**

Confirm that tenant-owned ancillary structures (e.g., sheds, storage structures, etc.) are allowed on the pad sites. Describe any deficiencies that could have a detrimental effect on other Manufactured Homes or the MHC as a whole (such as ancillary structures that do not appear to be permanent, or that do not meet community rules and regulations).

#### **10. General site maintenance**

Confirm that all site components (street paving, curbing, mailboxes, site lighting, landscaping, drainage, etc.) appear to be consistently maintained.

#### **11. Properties located in an Elevated Seismic Hazard Region**

Confirm that all Borrower-Owned Homes that are inspected meet all local seismic codes and requirements.

#### **12. Electrical capacity**

A Manufactured Housing Community with electrical power under 60 amperes is permitted, provided that the property condition consultant confirms electrical power meets the minimum requirement of all State and local building codes. If the electrical power is below the requirements of any State or local building codes, the property condition consultant must:

- Confirm the current power level is sufficient for the Manufactured Housing Community (although no load calculation is necessary)
- Recommend corrective measures as outlined in Section 22.6(c) or Section 62.5(c), as applicable

The consultant must also:



- Identify previous electrical problems
- Confirm that electrical hookups are in place on all vacant Home Sites

**c. Priority Repairs (12/14/23)**

In addition to any other repairs that may be identified by the consultant, the following items must be included in Priority Repairs:

- Home Sites with electrical capacity below the minimum requirements of all State and local building codes must be brought to compliant levels
- Install electrical hookups on vacant Home Sites if not in place
- Pave any unpaved roads, driveways, and parking lots
- Remove abandoned Manufactured Homes and structures (if permitted by the Manufactured Home's ownership)
- Repair unmaintained landscaping (e.g., excessive soil erosion, overgrown grass or vegetation, dead or decaying trees) in common areas

**22.7 Seismic Risk Assessment requirements for Manufactured Housing Communities (12/15/22)**

In addition to meeting the requirements of Chapter 64 with respect to Seismic Risk Assessments (SRA), the following requirements apply to all Mortgages secured by MHC Properties. In the event of a conflict between the requirements of Chapter 64 and the requirements of Sections 22.7(a)- (c), the requirements of these sections will apply.

**a. Seismic risk factors for Manufactured Housing Communities [replaces Section 64.2(c)] (12/15/22)**

If the Manufactured Housing Community is in an Elevated Seismic Hazard Region as defined in Section 64.2, and the Property has permanent residential structures, the Seller/Service must evaluate the permanent residential structures for the following seismic risk factors:

- Any wood-framed building built prior to 1960
- Reinforced concrete masonry (CMU) bearing wall buildings constructed prior to 2000
- Any unreinforced masonry construction, regardless of retrofit
- Any Property was required to undergo a seismic retrofit by any local or State authority

If any one of the risk factors listed above are present at the Property, or if the Seller/Service cannot conclusively determine that none of the risk factors are present at the Property, a Level 1 SRA is required.



**b. Specific Seller/Servicer duties and responsibilities [replaces Section 64.3] (06/29/17)**

The Seller/Servicer's responsibilities are to:

- Retain and direct the seismic risk consultant when a Level 1 SRA is required

The Seller/Servicer must review and verify the seismic risk consultant's credentials, licensing, certifications, memberships and affiliations. For new seismic risk consultants, the Seller must check at least three references from lenders who have retained or employed the seismic risk consultant to sufficiently evaluate the seismic risk consultant's capabilities and performance. The Seller must maintain a separate seismic risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each seismic risk consultant's performance, as well as the seismic risk consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the seismic risk consultant, but the Borrower may be responsible for paying the costs of all SRA services.

- Provide information identified in Section 64.6
- Obtain a Level 1 SRA for the Property, when required, and review the SRA to
  - Ensure that it complies with Freddie Mac's requirements
  - Verify that conclusive recommendations are provided for all identified issues
- Disclose to Freddie Mac any seismic risks identified in the SRA as well as any insurance required by Section 64.14

**c. Level 0 SRA requirements [replaces Section 64.4] (06/29/17)**

A Level 0 SRA is not required for any MHC Property.

## **22.8 Seller property inspections (04/18/24)**

For Home Sites and Borrower-Owned Homes the requirements in Section 8.15 apply. In addition, for Borrower-Owned Homes the following apply:

- Prior to early-rate lock, the Seller must inspect an appropriate sample of Borrower-Owned Homes based on the Seller's discretion and expertise, the condition of the Property, and any identified issues or other factors
- At full underwriting, the Seller must conduct a complete property inspection including, but not limited to, the following:
  1. Inspection of:





- Ten percent of Borrower-Owned Homes, excluding Down Home Sites, with a minimum of two
  - All Down and vacant Borrower-Owned Homes
  - All non-revenue Borrower-Owned Homes
2. Prior to the inspection date, the Seller must select twice the required number of Borrower-Owned Homes for inspection, and the Seller must instruct the Borrower to provide appropriate notification to the tenants of the selected Borrower-Owned Homes. A list of the Borrower-Owned Homes to be selected must be provided to Freddie Mac prior to the date of inspection.
  3. On the day of the inspection, if Freddie Mac is on-site and participating in the inspection, Freddie Mac will select the Borrower-Owned Homes to be inspected. If Freddie Mac is not present, the Seller will select the Borrower-Owned Homes to be inspected. Neither the Borrower nor the property manager may select or recommend Borrower-Owned Homes to be inspected.

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

4. The Seller must interview the property manager to discuss Borrower-Owned Homes
5. The Seller must document the complete property inspection. At full underwriting the Seller must submit the following property inspection documentation:
  - If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each inspected Borrower-Owned Home, if applicable, must be provided
  - Completed Property Inspection and Lease Audit form, including a lease audit of all Borrower-Owned Homes, with a maximum of five Borrower-Owned Homes

## 22.9 Delivery requirements (07/01/14)

Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

The Final Delivery Package must meet the requirements of Chapter 32, and the applicable Final Delivery Table of Contents and the Final Delivery Instructions, found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase).





## 22.10 Additional title and survey requirements (~~03/03/17~~04/22/25)

### a. Manufactured Housing Unit Endorsement (~~03/03/17~~04/22/25)

See Section 29.1(~~gh~~).

### b. Additional survey requirements (~~03/03/17~~04/22/25)

See Section ~~29.5(e)~~29.4.

### c. Additional search requirements for MHC Mortgages (~~03/03/17~~04/22/25)

See Section 29.4(~~f~~).

## 22.11 Seller/Servicer approval (06/27/19)

Subject to Freddie Mac approval, an Optigo Lender may originate MHC Mortgages for sale to Freddie Mac, and service those Mortgages.

## 22.12 General Servicing policy for MHC Mortgages (10/21/21)

Unless otherwise stated, the Servicing of each MHC Mortgage must meet the requirements of Chapters 36 through 43.

MHC Mortgages with MHC Tenant Protections, including all MHC Mortgages quoted on or after September 1, 2021 (unless MHROC, government-owned, or non-profit owned), will have additional reporting requirements during the Mortgage term. See Chapter 40.

A Servicer's obligation to maintain the continuity of Freddie Mac's perfected security interest in personal property relating to the Property includes the filing of UCC continuation statements as described in Section 43.5(a) as well as other necessary actions required under applicable law if the security interest in such personal property cannot be perfected with the filing of a UCC financing statement.

## 22.13 General warranties by Seller Servicer (07/01/14)

### a. Rent schedule [replaces Section 5.2(a)] (07/01/14)

The rent schedule submitted to Freddie Mac must:

- Contain no errors of which the Seller has knowledge, and
- Accurately state both the gross potential rents and the actual leased rents for the Home Sites and any Borrower-Owned Homes for the Property within a tolerance range of 7.5 percent

### b. Additional sale documents (07/01/14)

To the extent that a security interest in any Borrower-Owned Home cannot be perfected upon the filing of a Financing Statement or the Mortgage, and Freddie Mac requires such a



perfected security interest be delivered in connection with the Mortgage, then all necessary actions required under applicable law (including the amendment of and taking possession of any certificate of title, or the filing of appropriate documentation) have been taken as necessary to establish Freddie Mac as the holder of a perfected security interest in any Borrower-Owned Home.

#### **22.14 Additional documents required for the underwriting package (06/17/21)**

For refinances of MHCs with Manufactured Homes owned by the Borrower or an Affiliate of the Borrower, the Seller/Servicer must provide income and expense statements of such Manufactured Homes pursuant to Section 55.2.

If the Property is an MHROC, the Seller/Servicer or Seller/Servicer's legal counsel must submit a completed copy of the Manufactured Housing Resident-Owned Community Analysis in the applicable underwriting package, with a copy to the *Multifamily Attorney*. The Manufactured Housing Resident-Owned Community Analysis must be submitted in addition to submitting the completed Legal Issues Analysis form.

<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:40:56 PM</b>	
<b>Style name:</b> Default Style	
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<b>Original filename:</b> 22 - Originating MHC Mortgages GB-04-18-24.docx	
<b>Modified filename:</b> 22 - Originating MHC Mortgages GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	12
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Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	25

# Multifamily Seller/Service Guide

## Chapter 29

### Title, Description, Survey, UCC Searches and Opinions



- 29.1 ~~Title insurance policy requirements (10/17/24)~~ Title insurance policy requirements (04/22/25)
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- a. ~~Legal opinions required (04/18/24)~~

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- b. Review and analysis of legal opinions (04/18/24)
- c. Opinions requiring Freddie Mac review and approval (04/18/24)
- d. Non-Consolidation Opinion Requirements (04/18/24)
- e. ~~Required opinion provisions for Seller Application (04/18/24)~~ Required opinion provisions for Seller Application (04/22/25)



## 29.1 Title insurance policy requirements (~~10/17/2404/22/25~~)

This chapter details Freddie Mac's Title Policy requirements for all Mortgages, including SBL and TEL Mortgages. Unless indicated otherwise in the applicable section or subsection, references in this chapter to "Mortgage" refer to non-SBL Mortgages, SBL Mortgages, and TELs, and references to "counsel" refer to Seller/Servicers' counsel for non-SBL Mortgages and Single Counsel for SBL Mortgages and TELs.

Each Mortgage purchased by Freddie Mac must be covered by a Title Policy. The final Title Policy delivered to Freddie Mac must be accurate and complete and must reflect any additional requirements that may be imposed by Freddie Mac for a particular Mortgage. The Title Policy must be underwritten by a Title Insurance Underwriter.

It is the responsibility of the Seller/Servicer and its counsel to obtain and review in detail the title commitment, documents evidencing or creating each exception to title and the Title Policy. It is also their responsibility to bring to Freddie Mac's immediate attention any issue that could result in a material adverse effect on the Mortgage or the use or marketability of the Property or could create potential safety or environmental issues.

### a. Maximum single risk amount (08/15/24)

The maximum single risk amount (the risk in connection with any one Mortgage) assumed by one Title Insurance Underwriter may not be more than 25 percent of such Title Insurance Underwriters' surplus to policyholders. Policies for amounts in excess of the maximum single risk amount may be acceptable if any excess amount is covered by reinsurance by another Title Insurance Underwriter meeting the requirements of this chapter.

### b. Reinsurance and coinsurance (~~08/15/2404/22/25~~)

#### • Reinsurance

If the single risk amount exceeds 25 percent of the Title Insurance Underwriter's surplus to policyholders, the excess amount may be covered by reinsurance meeting all of the following requirements:

- The excess amount may not exceed 25 percent of the reinsuring company's surplus to policyholders. Tertiary insurance will not be permitted.
- The reinsurer must be a Title Insurance Underwriter.
- The reinsurance must be provided by the issuance of the most current form of American Land Title Association (ALTA) Facultative Reinsurance Agreement.
- Pro forma documentation for all reinsured transactions must be submitted to Freddie Mac for review and approval prior to the Origination Date.

Any Title Policy that is reinsured at the option of the Title Insurance Underwriter must meet all of the requirements of this subsection. Freddie Mac does not expect that any single SBL Mortgage or pool of SBL Mortgages \$40 million or less will require reinsurance. For the financing of a pool of SBL Mortgages in excess of \$40 million, reinsurance for such pool is subject to the provisions of Section 29.1(a) and (b).

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- **Coinurance**

Usually, Freddie Mac will not accept coinsurance (multiple Title Insurance Policies issued by multiple Title Insurance Underwriters for the same transaction). Freddie Mac will consider allowing coinsurance only if the Title Insurance Underwriters and Title Policies each meet the requirements of this chapter and the use of coinsurance is approved in writing by Freddie Mac prior to Rate Lock. Prior to the Origination Date, the Seller/Servicer must submit to Freddie Mac for its review and approval the Title Policies for any Mortgage that will be coinsured. Freddie Mac does not expect that any single SBL Mortgage or pool of SBL Mortgages \$40 million or less will require coinsurance. For the financing of a pool of SBL Mortgages in excess of \$40 million, coinsurance for such pool is subject to the provisions of Section 29.1(a) and (b).

**c. Selection of the Title Company (40/47/2404/22/25)**

1. The Seller/Servicer's selection or acceptance of any Title Company must be based solely on considerations typically used by prudent institutional lenders originating or purchasing Mortgages in the jurisdiction where the Property is located, as permitted by applicable law, and acting in the best interests of Freddie Mac. The Seller/Servicer must not base this selection on receipt of anything of value or other consideration by the Seller/Servicer or its employees, officers, or directors paid by or on behalf of a Title Company.
2. As provided in Section 2.19, the Seller/Servicer must approve, evaluate and monitor Title Companies and any other third party to whom functions relating to a Mortgage or REO are outsourced or assigned (e.g., the fiscal agent for a TEL Mortgage), including consulting the Multifamily Restricted Vendor List.

Freddie Mac reserves the right to: (i) refuse to accept Mortgages for purchase, or (ii) approve the assumption of a Mortgage, in each case involving any specific Title Company on the ~~Multifamily Restricted Vendor List~~Multifamily Restricted Vendor List. If a Title Company appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Title Company until notified otherwise by Freddie Mac. The decision to place a Title Company on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

With respect to Title Companies, the ~~Multifamily Restricted Vendor List~~Multifamily Restricted Vendor List is made available to Seller/Servicers at mf.freddiemac.com for the sole purpose of ensuring that an unacceptable Title Company does not perform services in connection with Multifamily Mortgage transactions and will constitute "Confidential Information" as defined in Section 2.8. Notwithstanding the Confidential Information classification, when a Borrower has engaged a Title Company on the Multifamily Restricted Vendor List in connection with a Mortgage transaction, the Seller/Servicer is permitted to advise the Borrower and Seller/Servicer's counsel or Single Counsel engaged for that Mortgage transaction that Freddie Mac will require engagement with a different Title Company. Parties are advised of their placement on the Multifamily Restricted Vendor List.

3. Freddie Mac also reserves the right to subject Freddie Mac's acceptance of the engagement of any Title Company to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac's sole discretion.

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When applicable, Freddie Mac is identifying these Title Companies as Third-Party Vendors on the Vendors With Conditions List, which is attached as a schedule to the Multifamily Restricted Vendor List. These Title Companies may continue to be engaged by Borrowers or Seller/Serviceirs but will be subject to the additional conditions provided in the schedule to the Multifamily Restricted Vendor List.

4. If the Seller/Serviceir, for cause, discontinues the use of a Title Company in connection with a Freddie Mac transaction within the past 12 months and such Title Company is not identified on the Multifamily Restricted Vendor List, the Seller/Serviceir must send written notification promptly to Freddie Mac, to the attention of  
Freddie\_Mac\_Legal\_MF@freddiemac.com.

d. **Acquisitions** (10/17/2404/22/25)

1. ~~Effective for~~For any Mortgage origination transaction that is an acquisition ~~which is taken under Seller Application on and after August 15, 2024~~, the Title Insurance Underwriter, its affiliate under identical ownership, or its wholly-owned subsidiary must directly perform all escrow and settlement functions for both the Mortgage origination transaction and the acquisition of the Property (i.e., the Title Insurance Underwriter or such affiliate or subsidiary must receive and disburse all funds from all sources related to the acquisition and prepare the settlement statement for the acquisition of the Property and the acquisition financing). The settlement statement must be delivered to the Seller/Serviceir or the Seller/Serviceir's counsel directly by the Title Insurance Underwriter or such affiliate or subsidiary. (See Section 32.3(c) for additional settlement statement requirements.)

For acquisition Mortgage origination transactions, if the law of the jurisdiction in which the Property is located prohibits the use of anyone other than a licensed attorney for escrow and/or settlement functions, and the Seller/Serviceir or its ~~legal~~ counsel has confirmed that the Title Insurance Underwriter or its wholly-owned subsidiary or affiliate under identical ownership does not have a licensed attorney on staff in such jurisdiction who can fulfill this requirement, the Seller/Serviceir's ~~legal~~ counsel must notify the applicable Freddie Mac transactional attorney on or prior to the Seller/Serviceir's submission of the full underwriting package.

Notwithstanding the foregoing, for TEL Mortgages, the fiscal agent may perform certain escrow and settlement functions including the receipt and disbursement of TEL proceeds as described in the funding loan agreement.

2. For purposes of the requirements described in this chapter, and notwithstanding any identification of the Mortgage origination transaction in the Mortgage commitment or otherwise, a Mortgage origination transaction will be deemed to be an acquisition if the Property (A) is acquired by the Borrower effective as of the Origination Date, or (B) was acquired by the Borrower or an affiliate of the Borrower within a thirty (30) day period prior to the Origination Date.
3. For any Mortgage origination transaction that is not an acquisition, the Title Insurance Underwriter may also perform escrow and settlement functions but is not required to do so.
4. For purposes of clarification and without limitation of any of its requirements, this Section 29.1(d) will apply to the origination of a Supplemental Mortgage in connection with any

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acquisition of the related Property and the assumption of the related senior Mortgage within the time frame described in Section 29.1(d)(2).

e. Amount of protection (08/17/23)

The Title Policy must insure the mortgagee for an amount no less than the original principal balance of the insured Mortgage.

f. Insured (08/15/2404/22/25)

~~The~~For all Mortgages other than a TEL Mortgage, the Title Policy must name as the insured either:

- Freddie Mac, its successors or assigns, or
- Seller/Servicer and/or Freddie Mac, its successors or assigns, as their interests may appear

For a TEL Mortgage, the Title Policy must name as the insured:

- The governmental agency and/or fiscal agent, their successors and/or assigns, as their interests may appear

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g. Legal description (08/15/2404/22/25)

The legal description in the Title Policy must conform to the legal description contained in the survey, security instrument, UCC financing statement, lease, and all other documents pertaining to the Mortgage and the Property. The legal description must include all appurtenant easements.

h. Endorsements (08/15/24)

Each endorsement required pursuant to the Title Policy and Endorsement Requirements ~~posted on mf.freddie-mac.com~~ must:

- Be either attached to or sufficiently incorporated in the Title Policy.
- Be on the specific form of the endorsement identified in the Title Insurance Policy ~~Certifications~~Certification as defined in Section 29.2(c).
- Include the number of the Title Policy.
- Be dated as of the date of the Title Policy, if dated.
- ~~Be~~Self required, be signed electronically by the Title Company. A PDF signature or a signature that is electronically produced as part of the Title Policy or the endorsement is acceptable.

If affirmative coverage in lieu of an endorsement is acceptable as indicated in the Title Policy and Endorsement Requirements, then the affirmative coverage language in the Title

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Policy must be equivalent to the affirmative coverage language described in the Title Policy Requirements.

i. **Insured Closing Protection Letter (08/15/24) closing protection letter (04/22/25)**

If either of the recordation of the documents or the escrow and disbursement of funds in connection with the origination of the Mortgage is being handled by a Title Company other than the Title Insurance Underwriter, then if available in the applicable jurisdiction, the Seller/Servicer must also obtain and provide an insured closing protection letter addressed to Freddie Mac, or to the Seller/Servicer and its successors and assigns, that provides coverage for any loss that arises out of (i) the failure of the Title Company to comply with the Seller/Servicer's written closing instructions, or (ii) fraud or dishonesty in handling the funds or documents in connection with the origination of the Mortgage. For TEL Mortgages, an insured closing protection letter is not required on the basis that the fiscal agent is handling the escrow and disbursement of TEL proceeds in accordance with the funding loan agreement.

**29.2 Title exceptions (04/18/24 04/22/25)**

a. **Approval of title exceptions (04/18/24 04/22/25)**

The Seller/Servicer or its counsel must obtain, read, and analyze each document that evidences or creates any exception to the title insurance coverage to determine whether the exception would be acceptable to a prudent institutional lender.

If the Seller/Servicer or its counsel determines that any of the following categories applies with respect to an exception, such exception requires written analysis in the form and manner described in Section 29.2(b) and, whenever required pursuant to Section 29.2(b), must be expressly approved by Freddie Mac:

- Title Exception Category 1: Any party's exercise of its rights under the exception could have a foreseeable adverse effect on the Borrower's intended use of the Property, including any interference with the present or proposed improvements on the Property or with the operation of the Property.
- Title Exception Category 2: Any party's exercise of its rights under the exception could impair lender's ability to enforce its rights under the Mortgage or could adversely affect the lien priority of the Mortgage.
- Title Exception Category 3: The exception would not be acceptable to a reasonable, prudent institutional lender in the area where the Property is located.
- Title Exception Category 4: The exception results in an exception to the Seller/Servicer Representations and Warranties or the Seller/Servicer Representations and Warranties – SBL, as applicable.
- Title Exception Category 5: The exception could create potential safety or environmental issues.

- Title Exception Category 6: The exception could result in a material adverse effect on the Mortgage, the security interest in the collateral described by the Mortgage, or the use, value, operation or marketability of the Property or could impair the lien of or the lien priority of the Mortgage.

- ~~The Guide or Legal Issues Analysis separately requires written analysis or approval with respect to such exception (such as, by way of example and not limitation, ground leases, regulatory agreements or condominium declarations).~~

- Title Exception Category 7: The exception contains a purchase option, right of first refusal, right of first offer, right of reverter, or requires consent to a transfer of all or any portion of the Property (including in connection with foreclosure or deed-in-lieu of foreclosure).

- Title Exception Category 8: The Guide or Legal Issues Analysis (for non-SBL Mortgages) separately requires written analysis or approval with respect to such exception (such as, by way of example and not limitation, ground leases, regulatory agreements or condominium declarations). For ground leases, see also Section 30.8.

b. Submission of analysis (04/18/2404/22/25)

If the written analysis required pursuant to Section 29.2(a) was not included in the Legal Issues Analysis (for non-SBL Mortgages) and/or any other required legal analysis required by the Guide submitted prior to the effective date of the Commitment, then the analysis must be submitted for approval no later than two business days prior to the anticipated Origination Date.

All requests for approval of title exceptions must be in writing and be submitted to the applicable Multifamily Attorney and Legal Analyst by email and include the anticipated closing date and pool name, if applicable, in the email subject line, and be uploaded to DMS. The request must be in the form of:

Non-SBL Mortgages

- An amended Legal Issues Analysis or other analysis previously submitted to the applicable Multifamily Attorney; and
- If applicable, such other legal analysis required by the Guide.

Or

SBL Mortgages

- A legal analysis required by the Guide or the applicable Multifamily Attorney.

The analysis must describe which category or categories in Section 29.2(a) applies to such exception necessitating written analysis and must include the Seller/Service or its counsel's recommendation (i) for mitigating any risk evidenced by the exception or explanation of why mitigation is not necessary or possible and (ii) as to the acceptability of the exception. The recommendation must expressly state why Freddie Mac should consider accepting this exception. The analysis must provide sufficient detail to enable Freddie Mac to make any

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necessary decision regarding the acceptability of an exception without having to read the document evidencing or creating the exception.

Submission to Freddie Mac of the underlying document creating the exception does not relieve the Seller/Service or its counsel of the requirement to submit the written analysis of the exception. However, Freddie Mac reserves the right to require the Seller/Service or its counsel to submit the exception document(s).

**c. Delivery of a Title Insurance Policy Certification and written analysis approval (04/18/24)(04/22/25)**

At final delivery of the Mortgage, the Seller/Service's counsel must deliver a ~~Title Insurance Policy Certification in the form found at mf.freddiemac.com/lenders/legal/~~Title Insurance Policy Certification (the "Title Insurance Policy Certification"). Copies of all emails with express approval of any exceptions for which the Seller/Service or its counsel submitted a request for approval must be attached to the Title Insurance Policy Certification, along with the final ~~title policy~~Title Policy and all required endorsements.

**d. Analysis of title exceptions for Supplemental Mortgages (04/18/24)**

For any Supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product, the Seller/Service or its counsel must provide a written analysis only for:

- Any title exception that did not previously appear as an exception to title in the policy insuring the senior Mortgage and falls into one or more categories set forth in Section 29.2(a), or
- Any title exception that previously appeared as an exception to the title in the policy insuring the senior Mortgage but will not be covered by the same endorsement or equivalent coverage.

Therefore, with respect to a Supplemental Mortgage, a written analysis will be required for any exception that appeared as a subordinate item in the policy insuring the senior Mortgage when such exception is not expressly subordinate to the Supplemental Mortgage as well.

**e. Analysis of title exceptions for Assumptions (04/18/24)(04/22/25)**

For any assumptions, the Seller/Service or its counsel must provide the discussion of the exceptions to the Title Policy as required by Section 41.4 ~~or 41SBL.4.~~

**f. ~~Encroachments and violations on Survey (04/18/24)~~Reserved (04/22/25)**

~~In addition to any analysis described in Section 29.2(b), the Seller/Service or its counsel must submit a written analysis of and receive approval for any encroachment or violation which materially and/or adversely affects the Property's operation, use or value or the security intended to be provided by the Mortgage (examples: income-producing buildings, parking, access ways). The written analysis must include the following:~~

- ~~• A reasonably detailed description of the encroachment and/or violation (e.g., how many feet a building encroaches over an easement)~~

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~~Whether there is building law and ordinance coverage for the Property if the encroachment and/or violation impacts a zoning requirement. If the risk posed by any encroachment or violation can be mitigated by an endorsement identified in the Title Policy Requirements and included in the Title Policy, then the exception does not need to be included in a written analysis. If any such required endorsement is not available or has been modified from the standard required form, then a written analysis of the exception must be submitted.~~

**g. Exception for Private Transfer Fee Covenant (08/17/2304/22/25)**

If the Title Policy contains an exception for a Private Transfer Fee Covenant that was created on or after February 8, 2011, the Mortgage is ineligible for purchase by Freddie Mac. See Section 8.14 or 8SBL.14.

**h. Exception for condominium/cooperative conversion restriction (04/18/2404/22/25)**

**(i) SBL Mortgages**

Exception for a prohibition against conversion of the Property to a condominium or cooperative structure is acceptable, provided the agreement does not contain any indemnification of the seller of the Property in connection with the conversion or other potential lender liability.

If the condominium/cooperative conversion restriction does contain an indemnification in connection with the conversion, the Seller/Servicer or Single Counsel must advise Freddie Mac.

**(ii) Non-SBL Mortgages**

If the Title Policy contains an exception for a prohibition against or any indemnification in connection with the conversion of the Property to a condominium or cooperative structure, the Seller/Servicer or its counsel must examine the underlying agreement/restriction as provided in Section 8.18(f) to determine that the agreement/restriction meets the requirements set forth in such section.

The Seller/Servicer or its counsel must confirm that all such requirements have been satisfied or that any non-compliant provisions have been identified in the Legal Issues Analysis prior to the effective date of the Commitment.

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**29.3 Uniform Commercial Code search requirements (04/18/2404/22/25)**

It is the responsibility of the Seller/Servicer to ensure that a First Lien security interest is perfected in (1) all fixtures, (2) all personal property of the Borrower that is located in or on the Property or is used or intended to be used in connection with the Property and (3) any other Uniform Commercial Code (UCC) collateral described in the UCC financing statement (collectively the "UCC collateral").

In order to ensure this First Lien security interest, the Seller/Servicer must perform certain Public Record Searches, including searches of the Uniform Commercial Code records ("UCC search"). For additional search requirements for the MHC Mortgage Product, see Section 22.9(c).



**a. ~~all as more specifically described in the Public Records Search Requirements. Names to search (04/18/24)~~**

~~The Seller/Servicer must perform a UCC search for the Borrower's name and, if the Property is being acquired, the name of the current owner of the Property. For additional search requirements for Seniors Housing Mortgages, see the Final Delivery Instructions available at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase).~~

**b. ~~Location of search (03/03/17)~~**

Each UCC search must include every office where a financing statement would be filed in accordance with the provisions of Revised Article 9 of the UCC.

**c. ~~Date of search (02/07/05)~~**

~~A UCC search must be dated no earlier than 30 days prior to the Origination Date.~~

**d. ~~Prior financing statements (04/18/24)~~**

~~If a UCC Search indicates that there are Prior to the Origination Date, an explanation of any financing statements on file (identified in a UCC search) other than the financing statements filed by the current lender that will be released at origination of the Mortgage) then, prior to the Origination Date, the Seller/Servicer must provide an explanation of those financing statements to the must be provided to the applicable Multifamily Attorney in either (i) an amended Legal Issues Analysis for non-SBL Mortgages or (ii) a written analysis for SBL Mortgages.~~

~~The final delivery of the Mortgage must include a Seller's Counsel's Certification or Single Counsel's Certification – SBL, as applicable, in which counsel certifies that the UCC searches reveal only financing statements that (1) have been or will be terminated in connection with the origination of the Mortgage or (2) have been approved by Freddie Mac.~~

~~• Multifamily TAH Underwriter, for TAH Mortgages~~

~~• Applicable Freddie Mac Multifamily Regional Office for all other Mortgages~~

~~The Seller/Servicer must also submit a copy of the explanation to the applicable Multifamily Attorney.~~

**e. ~~UCC search (04/18/24)~~**

- ~~1. If the UCC search done at underwriting shows that no financing statements have been filed in connection with any of the UCC collateral, then the Seller/Servicer does not need to deliver any documentation regarding the UCC search to Freddie Mac prior to final delivery of the Mortgage.~~
- ~~2. The UCC search must be updated at the time of final delivery to a date no earlier than 30 days prior to the date of origination of the Mortgage. The Seller/Servicers counsel must examine the UCC search to determine that Freddie Mac has a First Lien security interest in all UCC collateral except for those items previously approved by Freddie Mac and those items for which UCC termination statements have been filed. The Seller/Servicer's counsel must use the Seller's Counsel's Certification set forth at [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal) to provide a certification regarding the UCC search at final delivery of the Mortgage as set forth in the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase).~~

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**f. Product-specific UCC search requirements (04/18/24)**

~~For a Mortgage secured by an MHC Property, where a First Lien security interest in a Borrower-Owned Home cannot, under applicable law, be perfected with the filing of a UCC Financing Statement, the Seller/Servicer must take additional actions necessary to verify the ownership of and ensure a perfected First Lien security interest in any Borrower-Owned Home (e.g., obtaining a copy of the certificate of title evidencing the Borrower as the sole title holder of a Borrower-Owned Home).~~

For a Mortgage secured by a Seniors Housing Project, in addition to the searches required in Section 21.3, the Public Records Search Requirements, the Seller must conduct any additional UCC searches ~~are required for~~ in Section 21.3.

- ~~• The Borrower,~~
- ~~• The Manager, if applicable, and,~~
- ~~• If the Property is being acquired, the current owner of the Property.~~

~~Each UCC search must include every office where a financing statement would be filed to perfect a security interest in any of the collateral described in Financing Statement Exhibit B– Seniors Housing. Additionally, each search must include the state of organization for the Borrower and the Manager, if applicable.~~

**g. Newly formed Borrowers and SPE Equity Owners (04/18/24)**

~~For each Borrower and SPE Equity Owner, if applicable, that has been formed within 90 days prior to the origination of the Mortgage, the Seller/Servicer will not be required to provide a UCC search for the Borrower or the SPE Equity Owner. For any entity formed more than 90 days prior to the origination, or if Freddie Mac agrees to permit a “recycled” SPE Borrower or SPE Equity Owner, regardless of the entity’s formation date, the Seller/Servicer must provide a UCC search for the Borrower and the SPE Equity Owner, if applicable.~~

**29.4 Survey requirements (04/18/24 and encroachments and violations noted on the survey (04/22/25))**

**a. SBL Mortgages (04/22/25)**

A new survey is not required for SBL Mortgages.

If the Title Policy contains an exception for any itemized survey or plat matters, the Seller/Servicer must deliver an electronic copy of the referenced survey or plat with the recorded exception documents, in accordance with Section 29.2.

**b. Non-SBL Mortgages (04/22/25)**

**a. (i) ALTA/NSPS requirements; survey waivers (04/18/24)**

1. For each Mortgage purchased by Freddie Mac, the Seller/Servicer must submit a survey meeting the then-current minimum standard detail requirements for American Land Title Association/National Society of Professional Surveyors, Inc. (ALTA/NSPS) Land Title Surveys. The survey must be made, dated or revised by a licensed civil engineer or registered surveyor not more than 90 days prior to the date of the Note. The surveyor’s certification must:
  - Be the form of certification required by the most current ALTA/NSPS requirements, except that the Table A items need not be listed in the certification

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- Be for the benefit of the Seller/Servicer, Freddie Mac and its successors and assigns and the title insurance underwriter issuing the title insurance policy if required by the title insurance underwriter
2. Unless specifically waived under the terms of the Letter of Commitment, a survey is required for every Mortgage purchased by Freddie Mac. (See also the Waiver of Certain Survey Requirements ~~found at mf.freddiemac.com/lenders/legal/.~~)

**~~b.~~ (ii) Additional Freddie Mac requirements (03/03/17)**

In addition to the items that must be included in an ALTA/NSPS Land Title Survey, the survey must also include the following:

- Substantial visible improvements (in addition to buildings) such as entrance or monument signs, parking structures including carports and garages, swimming pools and other recreational facilities such as clubhouses, basketball and tennis courts.
- Indication of access to all public rights of way such as curb cuts, driveways marked, etc.
- Parking areas and type and number of parking spaces. (Parking space striping need not be shown.)
- Any setback requirements applicable to the Property (including those imposed via zoning law or building codes and any documents on record affecting the Property).

**~~c.~~(iii) Survey – encroachments and violations (04/18/24)**

The Seller/Servicer or its counsel must analyze all encroachments and violations shown in the survey, ~~as set forth in Section 29.2(f).~~ and submit a written analysis of and receive approval for any encroachment or violation which materially and/or adversely affects the Property's operation, use or value or the security intended to be provided by the Mortgage (examples: income-producing buildings, parking, access ways). The written analysis must include the following:

- A reasonably detailed description of the encroachment and/or violation (e.g., how many feet a building encroaches over an easement)
- Whether there is building law and ordinance coverage for the Property if the encroachment and/or violation impacts a zoning requirement

If the risk posed by any encroachment or violation can be mitigated by an endorsement identified in the Title Policy and Endorsement Requirements and included in the Title Policy, then the exception does not need to be included in a written analysis. If any such required endorsement is not available or has been modified from the standard required form, then a written analysis of the exception must be submitted.

**~~d.~~(iv) Special survey requirements for MHC Mortgages (03/03/17)**

In addition to the requirements set forth in this Chapter 29 with respect to surveys, if the Property is an MHC Property, the following requirements are applicable:

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- The survey must include the number of Home Sites located on the Property, as well as a description of the parking areas or spaces that are generally available for each Manufactured Home (i.e., the number of off-street parking spaces available for each Manufactured Home should be included on the survey).
- The survey must depict the location of:
  1. The extent and approximate dimensions of any encroachments by Manufactured Homes (including any Borrower-Owned Homes), Home Sites, piers, and foundations. If any of the foregoing do not constitute encroachments, their location does not need to be shown on the survey. Instead, a simple indicating mark may be included.
  2. Private interior access roads or streets and visible utilities. Unless such items constitute encroachments, they may be sketched on to the survey to show their approximate location, and can be located by photogrammetric or other approximate methods in lieu of precise field measurements.

## 29.5 Legal opinions ~~(04/18/24)~~for non-SBL Mortgages (04/22/25)

### a. Legal opinions required ~~(04/18/24)~~04/22/25)

~~The~~For non-SBL Mortgages, the Final Delivery Package must include the following legal opinions addressed to the Seller/Service (individually and collectively, the “**Opinion Letter**”):

- A legal opinion with respect to Borrower and any SPE Equity Owner in the form provided on the Freddie Mac Multifamily website (the “Borrower Opinion”).
- A legal opinion with respect to any Guarantor in the form provided on the Freddie Mac Multifamily website (the “Guarantor Opinion”).
- A non-consolidation legal opinion (the “**Non-Consolidation Opinion**”) for any Mortgage, except for a TEL Mortgage (this exclusion does not include split supplemental TEL Mortgages):
  - With an original principal balance equal to or greater than \$40,000,000;
  - That is a part of a cross-collateralized and cross-defaulted pool of Mortgages that are, when aggregated, \$40,000,000 or greater; or
  - If otherwise required by the Letter of Commitment or early rate lock application
- Any other legal opinions required by Freddie Mac under the Guide, in the applicable Letter of Commitment or early rate lock application, or otherwise.

Notwithstanding the foregoing, the enforceability opinions and local law opinions may be omitted from the Borrower Opinion and Guarantor Opinion for a supplemental mortgage originated under the Freddie Mac Multifamily Supplemental Mortgage Product.



**b. Review and analysis of legal opinions (04/18/24)**

Seller/Servicer's counsel must review and analyze all Opinion Letters to ensure the Opinion Letters conform to Freddie Mac's requirements. Additional guidelines and requirements for the review of opinions are set forth in the Opinion Letter Guidelines and, if applicable, the Requirements for Review of Non-Consolidation Opinions, provided on the Freddie Mac Multifamily website.

All Opinion Letters must contain the following use and reliance provision, without modification:

"This opinion letter is furnished to you solely for your benefit, the benefit of subsequent holders of the Note, and any statistical rating agency that provides a rating on securities backed in part by the Loan, all of which we understand may receive copies of this opinion letter. This opinion letter may not be used, quoted from or relied upon by any other person without our prior written consent; however, you or a subsequent holder of the Note may deliver copies of this opinion letter to (a) independent auditors, accountants, attorneys and other professionals acting on behalf of you or a subsequent holder of the Note, (b) governmental agencies having regulatory authority over you or a subsequent holder of the Note, (c) designated persons pursuant to an order or legal process of any court or governmental agency, and (d) prospective purchasers of the Note."

The counsel rendering the opinions must be acceptable to Freddie Mac or to the Seller/Servicer if Seller/Servicer is authorized to approve the opinion. The Letter of Commitment or the early rate lock application may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require Seller/Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.

**c. Opinions requiring Freddie Mac review and approval (04/18/24)**

The Seller/Servicer must submit a copy of the following opinions for Freddie Mac's review and approval not less than three business days prior to the scheduled origination date of the Mortgage:

- All Opinion Letters for any Mortgage with an original principal balance equal to or greater than \$100,000,000.
- Any Seniors Housing Mortgage licensure opinion, specifically opinions #27 and #28 from the Borrower Opinion form.

Such opinions must be marked to clearly indicate the additions to and deletions from the appropriate form of Opinion Letter. The Borrower or the Seller/Servicer must pay for any legal fees associated with the review and approval of any such additions to or deletions from the appropriate form of Opinion Letter in connection with the origination of the Mortgage.

The Seller/Servicer's counsel must provide an analysis and recommendation with respect to such opinions (the "**Opinion Analysis**"). Freddie Mac will not be responsible for any loss, costs or damages incurred by the Seller/Servicer or Borrower as a result of the origination of the Mortgage being delayed due to the failure of the Seller/Servicer to timely deliver to Freddie Mac a draft Opinion Letter and/or the Opinion Analysis.



d. **Non-Consolidation Opinion ~~Requirements~~requirements (04/18/24)**

Non-Consolidation Opinions must state that if any equity owner or group of affiliated equity owners (or group of family members) who own more than 49% of the equity in Borrower were to become insolvent, neither Borrower, nor its assets and liabilities, would be substantively consolidated with that of the equity owner or group of affiliated equity owners (or group of family members) or with the SPE Equity Owner.

A “should” Non-Consolidation Opinion is not acceptable; all Non-Consolidation Opinions must be “would” opinions.

All Non-Consolidation Opinions must be submitted to Freddie Mac for review and approval prior to origination of the Mortgage as provided in the ~~Requirements for Review of Non-Consolidation Opinions~~Requirements for Review of Non-Consolidation Opinions provided on the Freddie Mac Multifamily website. The Borrower or the Seller/Servicer must pay for any legal fees associated with the review and approval of any Non-Consolidation Opinion required in connection with the origination of a Mortgage.

e. **Required ~~Opinion Provisions~~opinion provisions for Seller Application (04/18/2404/22/25)**

~~The~~For non-SBL Mortgages, the Seller/Servicer must include, as part of its Seller Application with or loan commitment to the Borrower, the following provision.

Delivery of Opinion Letters to Be Delivered to Freddie Mac

Borrower acknowledges and agrees that as part of the loan closing process it is required to deliver to [Seller/Servicer to Insert Seller/Servicer's Name] certain legal opinion letters in form and substance acceptable to the Federal Home Loan Mortgage Corporation (“**Freddie Mac**”) addressing, among other things, enforceability, due formation, execution and delivery, non-consolidation (under certain circumstances) and such other matters as may be required by Freddie Mac (collectively if more than one, the “**Opinion Letter**”). In order to properly review any Opinion Letter requiring Freddie Mac's approval Freddie Mac must receive a draft of the Opinion Letter, with analysis and recommendations from [Seller/Servicer to Insert Seller/Servicer's Name], not less than three business days prior to the anticipated consummation of the loan transaction. Accordingly, Borrower acknowledges and agrees to deliver to [Seller/Servicer to Insert Seller/Servicer's Name], not less than \_\_\_\_ business days [Seller/Servicer to Insert Number of Days as Required by Seller/Servicer's Counsel] prior to the anticipated consummation of the loan transaction, a draft Opinion Letter for review. Borrower acknowledges and agrees that [Seller/Servicer to Insert Seller's/Servicer Name] will not be responsible for reviewing any Opinion Letter received less than \_\_\_\_ Business Days [Seller/Servicer to Insert Number of Days as Required by Seller/Servicer's Counsel] prior to the anticipated consummation of the loan transaction and that Borrower's failure to timely deliver such Opinion Letter may result in the consummation of the loan transaction being delayed. Borrower further acknowledges and agrees that neither [Seller/Servicer to Insert Seller/Servicer's Name] nor Freddie Mac will be responsible for any loss, costs or damages incurred by Borrower as a result of the consummation of the loan transaction being delayed due to the failure of Borrower to timely deliver a draft Opinion Letter.



<b>Summary report:</b>	
<b>Litera Compare for Word 11.0.0.61 Document comparison done on 4/17/2025 3:44:13 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 29 - Title, Survey UCC GB-10-17-24.docx	
<b>Modified filename:</b> 29 - Title, Survey UCC GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	137
<del>Delete</del>	165
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<del>Table Delete</del>	0
<u>Table moves to</u>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	302

# Multifamily Seller/Service Guide

## Chapter 29SBL

### SBL Title, Description, Survey and UCC Search



#### ~~29SBL.1 — 29SBL.1 Title insurance policy requirements (10/17/24)~~

- ~~a. Maximum single risk amount, reinsurance and coinsurance (10/17/24)~~
- ~~b. Subordinated ground leases (08/15/24)~~
- ~~c. Selection of the Title Company (08/15/24)~~
- ~~d. Acquisitions (10/17/24)~~
- ~~e. Amount of protection (08/15/24)~~
- ~~f. Insured (08/15/24)~~
- ~~g. Form (08/15/24)~~
- ~~h. Endorsements (08/15/24)~~
- ~~i. Tax and Parcel Numbers (04/18/24)~~
- ~~j. Date of Title Policy (04/18/24)~~
- ~~k. Identification of recorded documents (04/18/24)~~
- ~~l. Insured Closing Protection Letter (08/15/24)~~

#### ~~29SBL.2 Title exceptions (04/18/24)~~

- ~~a. Deletion of standard exceptions (04/18/24)~~
- ~~b. Analysis and approval of title exceptions (04/18/24)~~
- ~~c. Content of written title analysis (04/18/24)~~
- ~~d. Delivery of title exception documents (04/18/24)~~
- ~~e. Safe harbor categories (04/18/24)~~
- ~~f. Exception for Private Transfer Fee Covenant (04/18/24)~~

#### ~~29SBL.3 Legal description requirements (04/18/24)~~

#### ~~29SBL.4 Uniform Commercial Code search requirements (04/18/24)~~

#### ~~29SBL.5 Survey requirements (04/18/24)~~

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**29SBL.1 Title insurance policy requirements (10/17/2404/22/25)**

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~~Each SBL Mortgage purchased by Freddie Mac must be covered by a Title Policy. The final Title Policy delivered to Freddie Mac must be accurate and complete and must reflect any additional requirements that may be imposed by Freddie Mac for a particular Mortgage. The Title Policy must be underwritten by a Title Insurance Underwriter. Effective April 22, 2025, Chapter 29SBL is deleted. See Chapter 29.~~

~~It is the responsibility of the Seller/Servicer and Single Counsel to obtain and review in detail the title commitment, documents evidencing or creating each exception to title, and the Title Policy. It is also their responsibility to bring to Freddie Mac's immediate attention any issue that could result in a material adverse effect on the SBL Mortgage or the use or marketability of the Property or could create potential safety or environmental issues.~~

**a. Maximum single risk amount; reinsurance and coinsurance (10/17/24)**

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~~The maximum single risk amount, reinsurance and coinsurance requirements, to the extent applicable for the financing of a pool of SBL Mortgages in excess of \$40 million, are subject to the provisions of Section 29.1(a) and (b). Freddie Mac does not expect that any single SBL Mortgage will require reinsurance or coinsurance.~~

**b. Subordinated ground leases (08/15/24)**

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~~If all or a portion of the Property consists of a leasehold estate and the holder of the fee interest has executed the SBL Mortgage to subject its interest in the land to the lien of the Mortgage, the Title Policy must insure the Lender's interest in both the fee estate and the leasehold estate.~~

**c. Selection of the Title Company (08/15/24)**

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- ~~1. The Seller/Servicer's selection or acceptance of a Title Company must be based solely on considerations typically used by prudent institutional lenders originating or purchasing SBL Mortgages in the jurisdiction where the Property is located, as permitted by applicable law, and acting in the best interests of Freddie Mac. The Seller/Servicer must not base this selection on receipt of anything of value or other consideration by the Seller/Servicer or its employees, officers, or directors paid by or on behalf of a Title Company.~~
- ~~2. As provided in Section 2.10, the Seller/Servicer must approve, evaluate and monitor Title Companies and any third party to whom functions relating to a Mortgage or REO are outsourced or assigned including consulting the Multifamily Restricted Vendor List. Freddie Mac reserves the right to: (i) refuse to accept SBL Mortgages for purchase, or (ii) approve the assumption of an SBL Mortgage, in each case involving any specific Title Company on the Multifamily Restricted Vendor List. If a Title Company appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Title Company until notified otherwise by Freddie Mac. The decision to place a Title Company on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion. With respect to Title Companies, the Multifamily Restricted Vendor List is made available to Seller/Servicers at mf.freddiemac.com for the sole purpose of ensuring that an unacceptable Title Company does not perform services in connection with Multifamily Mortgage transactions and will constitute "Confidential Information" as defined in Section 2.8. Notwithstanding the Confidential Information classification, when a Borrower has~~

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- engaged a Title Company on the Multifamily Restricted Vendor List, the Seller/Service is permitted to advise the Borrower that Freddie Mac will require engagement with a different Title Company. Parties are advised of their placement on the Multifamily Restricted Vendor List.
3. Freddie Mac also reserves the right to subject Freddie Mac's acceptance of the engagement of any Title Company to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac's sole discretion. When applicable, Freddie Mac is identifying these Title Companies as Third-Party Vendors on the Vendors With Conditions List, which is attached as a schedule to the Multifamily Restricted Vendor List. These Title Companies may continue to be engaged by Borrowers or Seller/Service but will be subject to the additional conditions provided in the schedule to the Multifamily Restricted Vendor List.
4. If the Seller/Service, for cause, discontinues the use of a Title Company in connection with a Freddie Mac transaction within the past 12 months and such Title Company is not identified on the Multifamily Restricted Vendor List, the Seller/Service must send written notification promptly to Freddie Mac, to the attention of [Freddie\\_Mac\\_Legal\\_MF@freddiemac.com](mailto:Freddie_Mac_Legal_MF@freddiemac.com).
- d. Acquisitions (10/17/24)**
1. Effective for any SBL Mortgage origination transaction that is an acquisition which is taken under Seller Application on and after August 15, 2024, the Title Insurance Underwriter, its affiliate under identical ownership, or its wholly owned subsidiary must directly perform all escrow and settlement functions for both the SBL Mortgage origination transaction and the acquisition of the Property (i.e., the Title Insurance Underwriter or such affiliate or subsidiary must receive and disburse all funds from all sources related to the acquisition and prepare the settlement statement for the acquisition of the Property and the acquisition financing). The settlement statement must be delivered to the Seller/Service or Single Counsel directly by the Title Insurance Underwriter or such affiliate or subsidiary. (See Section 32.3(c) for additional settlement statement requirements.)
- For acquisition SBL Mortgage origination transactions, if the law of the jurisdiction in which the Property is located prohibits the use of anyone other than a licensed attorney for escrow and/or settlement functions, and the Seller/Service or Single Counsel has confirmed that the Title Insurance Underwriter or its wholly owned subsidiary or affiliate under identical ownership does not have a licensed attorney on staff in such jurisdiction who can fulfill this requirement, the Single Counsel must notify the applicable Freddie Mac SBL transactional attorney on or prior to the Seller/Service's submission of the full underwriting package.
2. For purposes of the requirements described in this chapter, and notwithstanding any identification of the SBL Mortgage origination transaction in the SBL Mortgage commitment or otherwise, a SBL Mortgage origination transaction will be deemed to be an acquisition if the Property (A) is acquired by the Borrower effective as of the Origination Date, or (B) was acquired by the Borrower or an affiliate of the Borrower within a thirty (30) day period prior to the Origination Date.
3. For any SBL Mortgage origination transaction that is not an acquisition, the Title Insurance Underwriter may also perform escrow and settlement functions but is not required to do so.

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**e. Amount of protection (08/15/24)**

~~The Title Policy must insure the mortgagee for an amount no less than the original principal balance of the insured SBL Mortgage.~~

**f. Insured (08/15/24)**

~~The Title Policy must name as the insured either~~

- ~~• Freddie Mac, its successors or assigns, or~~
- ~~• Seller/Servicer and/or Freddie Mac, its successors or assigns, as their interests may appear~~

**g. Form (08/15/24)**

~~The Title Policy must be produced on the form of 2006 or 2021 American Land Title Association (ALTA) Loan Policy ("ALTA Loan Policy") with the following exceptions:~~

- ~~• For an SBL Mortgage secured by a Property located in Florida, the Title Policy must be produced on the form of 2006 or 2021 ALTA Loan Policy with Florida modifications.~~
- ~~• For an SBL Mortgage secured by a Property located in Texas, the Title Policy must be produced on the form of 2014 Texas Mortgage Policy of Title Insurance (T-2) ("Texas Loan Policy").~~

~~All of the endorsements required pursuant to Section 29SBL.1(g) must be attached to the Title Policy.~~

**1. Electronically issued policy**

~~Freddie Mac will accept a Title Policy and its endorsements produced and distributed to the Seller/Servicer or Single Counsel in electronic format (an "electronically issued policy") if the electronically issued policy includes an endorsement that provides that the Title Insurance Underwriter will not deny coverage solely on the grounds that the policy and/or endorsements were issued electronically and/or lacked signatures.~~

**2. Arbitration**

~~With respect to a Title Policy issued on either an ALTA Loan Policy or Texas Loan Policy form, Freddie Mac requires the Title Policy to contain one of the following:~~

- ~~• An endorsement deleting all compulsory arbitration provisions from the Title Policy; or~~
- ~~• An amendment to the Title Policy stating that both the title insurance underwriter and the insured must agree to arbitration when the amount of insurance is \$2 million or less with respect to any claim made by or on behalf of Freddie Mac.~~

~~The form of ALTA Loan Policy with Florida modifications does not include any compulsory arbitration provisions. Therefore, any Title Policy issued on that form requires no revisions with respect to the arbitration provisions.~~

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**h. Endorsements (08/15/24)**

The endorsements enumerated in the chart below must be attached to the Title Policy. The Title Company may elect to incorporate into the ALTA Loan Policy certain endorsements by reference only without attaching the endorsements to the policy.

Endorsement/Explanation	Alternatives
<del>ALTA Form 8.1-06 or ALTA 8.1-2021, Environmental Protection Lien</del>	<del>Part (b) of ALTA Form 8.1-06 may make an exception only for specific State statutes that provide for possible subsequent "superliens" that could take priority over the SBL Mortgage.</del>  <del>An equivalent endorsement is acceptable only if an ALTA Form 8.1 is not available in the State where the Property is located.</del>
<del>ALTA Form 9-06, Restrictions, Easements, Minerals Loan Policy (Adopted 04-02-12)</del>	<del>An equivalent endorsement is acceptable only if ALTA Form 9-06 (Adopted 04-02-12) is not available in the State where the Property is located.</del>  <del>For properties located in Texas, Texas Form T-19 is acceptable.</del>  <del>For properties located in Florida, ALTA 9-06 (revised 05-10-14, with FL modifications) is acceptable.</del>
<del>Lack of Signatures Endorsement</del>  <del>Required only if a 2006 ALTA Loan Policy is issued and the requirements set forth in Section 29SBL.1(f)(1) are not otherwise satisfied.</del>	<del>This endorsement is not required if a 2024 ALTA Loan Policy is issued.</del>
<del>Deletion of Compulsory Arbitration Endorsement</del>  <del>Required only if the requirements set forth in Section 29SBL.1(f)(2) are not otherwise satisfied.</del>	

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Endorsement/Explanation	Alternatives
<div><div><div><div><div></div><div>ALTA Form 9.6-06, Private Rights</div><div>Loan Policy (Adopted 04-02-12 or 04-02-13)</div></div></div><div><div>Required only if an exception exists which includes a reservation of private rights against the Property.</div></div></div></div>	<div><div>An equivalent endorsement is acceptable only if an ALTA Form 9.6-06 (Adopted 04- 02-12 or 04-02-13) is not available in the State where the Property is located.</div><div><u>Freddie Mac does not permit exclusions from coverage under this endorsement without prior approval from the applicable Multifamily Attorney.</u></div></div>
<div><div><div><div><div></div><div>Mortgage Recording Tax</div></div></div><div><div>Required only in Florida, Maryland, New York, and Virginia, where Borrower is saving recording taxes by using a consolidation or assignment/amendment of an existing mortgage.</div></div></div></div>	<div><div>Seller/Service or Single Counsel will deliver the state specific form applicable to the property jurisdiction.</div></div>
<div><div><div><div><div></div><div>Texas Form T-30, Tax Deletion</div></div></div><div><div>Required only in Texas when the language regarding subsequent taxes for prior years cannot be deleted from the policy.</div></div></div></div>	<div><div>Seller/Service or Single Counsel will either deliver the endorsement or the language regarding subsequent taxes for prior years must be deleted from the policy.</div></div>
<div><div><div><div><div></div><div>CLTA 103.5-06, Water Rights, Surface Damage or ALTA 41.1-06, Water- Improvements</div></div></div><div><div>Required only if an exception exists for water rights, claims or title to water.</div></div></div></div>	<div><div>An equivalent endorsement is acceptable only if CLTA 103.5-06 or ALTA 41.1-06 is not available in the State where the Property is located.</div><div>The ALTA 41-06 is not an acceptable equivalent without prior approval from the applicable Multifamily Attorney</div></div>

Freddie Mac requires that each endorsement must:

- Be on the most recent form of endorsement approved by ALTA or CLTA (California Land Title Association), if an ALTA or CLTA form is available. In addition, the ALTA or CLTA form must be the appropriate form for the selected

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- policy;
- Include the number of the Title Policy; and
  - Be signed by the Title Company. A signature that is part of the printed form or a signature that is electronically produced as part of the endorsement is acceptable. If a Lack of Signatures Endorsement is delivered, signature will not be required.
- i. Tax and Parcel Numbers (04/18/24)
- The Title Policy must include the Property's parcel or tax identifying number(s) if available in the jurisdiction in which the Property is located.
- j. Date of Title Policy (04/18/24)
1. The Title Policy must be dated
    - No earlier than the effective date and no later than the date of recordation of the assignment of the Security Instrument to Freddie Mac.
    - The date of the Title Policy must be a date certain. Freddie Mac will not accept a Title Policy with a blank effective date or an effective date described as "the date of the assignment or the date of recordation, whichever is later".
  2. If the Property is located in a jurisdiction where gap coverage is not available for regulatory reasons, the Seller/Servicer may submit a Title Policy that is dated earlier than the date of recordation (but not earlier than the date of the assignment of the Security Instrument) if all of the following conditions are met:
    - The Seller/Servicer must provide a letter addressed to Freddie Mac or to the Seller/Servicer and its assigns from the Title Company that states (i) that the Title Company has delivered the Security Instrument, the assignment of the Security Instrument and the UCC financing statements to the applicable clerk for recordation and (ii) that the Title Company is assuming the risk of any intervening liens or encumbrances that may be recorded between the policy effective date and the completion of recording. The information in (ii) may also be provided by a note in the Title Policy.
    - Immediately after receipt of recordation information, the Seller/Servicer must deliver to Freddie Mac Multifamily Purchase an ALTA Form 44-06, or equivalent endorsement which
      1. Changes the effective date of the Title Policy to the date of recordation of the Security Instrument and the assignment of the Security Instrument, and
      2. Provides the recordation date and book and page (or recorded instrument) number for the Security Instrument and the assignment of the Security Instrument.

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**~~k.—Identification of recorded documents (04/18/24)~~**

- ~~1. The Title Policy must identify the Security Instrument, the assignment of the Security Instrument and any other required recorded documents by title of document, parties, effective date of document, date of recording, and the recording office. If recordation information is not available at the time of closing, the Seller/Servicer must deliver an endorsement which modifies the policy to include the recordation information for all loan documents filed for record in connection with the Mortgage as soon as such information is made available.~~
- ~~2. The Title Policy must provide one of the following regarding each recorded document:~~

- ~~• Book and page number or recorded instrument number~~
- ~~• Date of recording of each document and the transaction number or other serial number, if any, indicated on the recording clerk's receipt in accordance with Section 29SBL.1(i)~~
- ~~• Date of recording with blanks for the book and page or recorded instrument number in accordance with Section 29SBL.1(i)~~
- ~~• Blanks for the date of recording and the book and page number or recorded instrument number in accordance with Section 29SBL.1(i)~~

**~~l.—Insured Closing Protection Letter (08/15/24)~~**

~~If either of the recordation of the documents or the escrow and disbursement of funds in connection with the origination of the SBL Mortgage is being handled by a Title Company other than the Title Insurance Underwriter, then if available in the applicable jurisdiction, the Seller/Servicer or Single Counsel must also obtain and provide an insured closing protection letter addressed to Freddie Mac, or to the Seller/Servicer and its successors and assigns, that provides coverage for any loss that arises out of (i) the failure of the Title Company to comply with the Seller/Servicer's written closing instructions, or (ii) fraud or dishonesty in handling the funds or documents in connection with the origination of the SBL Mortgage.~~

**29SBL.2 Title exceptions (04/18/24)**

**~~a.—Deletion of standard exceptions (04/18/24)~~**

~~The Title Company must delete the standard exceptions on Schedule B, Part I of its policy, including any general survey exception, and the policy may omit Schedule B, Part II.~~

**~~b.—Analysis and approval of title exceptions (04/18/24)~~**

~~Seller/Servicer or Single Counsel must obtain, read and analyze each document that is an exception to the title insurance coverage to determine whether the exception would be acceptable to a prudent institutional lender. Exceptions that fall into one or more of the safe harbor categories set forth in Section 29SBL.2(e) are generally deemed acceptable. Regardless of whether an exception falls into one or more of the safe harbor categories, Seller/Servicer or Single Counsel must submit a written analysis of and receive express approval by Freddie Mac for any exception for which Seller/Servicer or Single Counsel~~

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determines any of the following apply:

- Any party's exercise of its rights under the exception could have a foreseeable adverse effect on the Borrower's intended use of the Property, including any interference with the present or proposed improvements on the Property or with the operation of the Property.
- Any party's exercise of its rights under the exception could impair lender's ability to enforce its rights under the SBL Mortgage or could adversely affect the lien priority of the SBL Mortgage.
- It would not be acceptable to a reasonable, prudent institutional lender in the area where the Property is located even if the exception technically falls within a safe harbor category.
- It results in an exception to the Seller/Servicer Representations and Warranties – Small Balance Loans.
- It could create potential safety or environmental issues.
- It could result in a material adverse effect on the SBL Mortgage, the security in the collateral intended to be provided by the mortgage, or the use or marketability of the Property.

**c. Content of written title analysis (04/18/24)**

A written analysis of any title exception required by Section 29SBL 2(b) must include the following information:

- The Seller/Servicer or Single Counsel's recommendation for mitigating any risk evidenced by the exception (such as removal of an encroachment or specific affirmative title insurance) or the Seller/Servicer or Single Counsel's explanation of why mitigation may not be necessary or possible.
- The Seller/Servicer or Single Counsel's recommendation as to the acceptability of the exception. Instead of asking Freddie Mac whether the exception is acceptable, the recommendation must state why Freddie Mac should consider accepting this exception.

The Seller/Servicer or Single Counsel must provide sufficient detail to enable Freddie Mac to make any necessary decision regarding the acceptability of such an exception without having to read the document evidencing or creating the exception. Submission to Freddie Mac of the underlying document creating the exception does not relieve the Seller/Servicer or Single Counsel of the requirement to submit the written analysis of the exception. However, Freddie Mac reserves the right to require the Seller/Servicer or Single Counsel to submit the exception document(s).

**d. Delivery of title exception documents (04/18/24)**

The Seller/Servicer is required to deliver a copy of all recorded exception documents in accordance with the delivery requirements set forth in the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase).

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**e. Safe harbor categories (04/18/24)**

**1. Utility easements**

Exceptions for public utility easements for local residential distribution, such as lines for gas, water and sewer, cable for electric, telephone or cable television (CATV), slope, storm drainage and/or storm water management, fire lane, driveway and emergency access easements and private cable easements for nationally recognized telecommunication and cable companies, are acceptable. In addition to the above, to satisfy this safe harbor any cable easements for nationally recognized telecommunication and cable companies must not impose any obligations on the Borrower to take any affirmative actions or make payments. This safe harbor category does not include (i) an easement for the storage of or general commercial transportation (except as provided below) or distribution of natural gas or petroleum products, or (ii) the installation or maintenance of any type of electrical or communication substation. Easements for commercial transportation for utilities purposes are permitted under this safe harbor category; provided the easement limits the transportation area of any product in connection with the utilities to public roadways and the title insurance policy includes a specific notation as to such limitation.

**2. Encroachments on or projections over public utility easements or public property**

Exceptions for encroachments on or projections over public utility easements or public property, such as streets, alleys or sidewalks are acceptable provided that all of the following conditions are met:

- The encroachment does not interfere with the use of the easements or public property or with the exercise of rights of repair and maintenance in connection with the easements or public property.
- The removal of the encroaching improvement would not adversely affect the security for the SBL Mortgage.
- The Title Policy contains affirmative insurance against loss or damage suffered by reason of the entry of a decree or court order requiring the removal of the encroachment.

Notwithstanding the foregoing, the Seller/Service may use this safe harbor category for any private utility easement, if, in addition to the conditions stated above, the easement identifies the obligations of each party under the easement.

**3. Restrictive agreements**

Exceptions for covenants of record are acceptable provided that all of the following conditions are met:

- If the excepted document provides for periodic assessments payable by the Borrower, such assessments have been included in the operating expenses of the Property that the Seller/Service submitted to Freddie Mac for purposes of underwriting the SBL Mortgage, and all such assessments have been paid in full as evidenced by an estoppel certificate, or the Title

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- ~~Policy states that any such assessments are not yet due and payable or have been paid in full.~~
- ~~• The excepted document contains no other provisions that materially affect the Property's operating costs.~~
  - ~~• There is not a violation of a covenant, condition or restriction known to the Seller/Servicee.~~
  - ~~• The excepted document does not create or provide for any lien that would be prior to the lien of the SBL Mortgage, nor provide for the subordination or extinguishment of the lien of the insured SBL Mortgage or impair its validity or enforceability.~~
  - ~~• The Property has been fully developed and is in compliance with any restrictive agreements regarding green space or other restrictions in development.~~

~~This safe harbor category does not include restrictive agreements that affect occupancy, leasing, access, use, setback, density, minimum building size or minimum unit size or require the Borrower to reserve a certain number or percentage of units for low income tenants. This safe harbor category does not include condominium declarations or other documentation related to a condominium regime.~~

~~4. Mutual easement agreements and party walls~~

~~Exceptions for recorded mutual easement agreements that establish a joint driveway, pathway, party wall, storm drain, or detention pond are acceptable if the easement agreement allows all present and future owners unlimited use of the driveway, pathway, party wall, storm drain, or detention pond without any restriction other than restriction by reason of the mutual easement owners' rights in common and duties for joint maintenance.~~

~~This safe harbor category does not include mutual easement agreements that relate to shared facilities or primary access to the Property. Such an agreement must also meet the specific requirements of Section 8SBL.6.~~

~~Party walls that are not subject to an easement agreement are acceptable provided the title insurance policy affirmatively insures that the wall may remain undisturbed for as long as such wall remains standing.~~

~~5. Fence or wall misplacements~~

~~Exceptions for fence or wall misplacements on either side of the property line of the Property are acceptable, provided that neither the misplacement nor a future correction of it will interfere with the use of any improvements on the Property nor with the use of the balance of the Property not occupied by improvements.~~

~~The definition of walls in this safe harbor category does not include building walls, retaining walls that serve in whole or in part a structural purpose or other permanent structures.~~

~~6. Encroachments on the Property by improvements on adjoining property~~

~~Exceptions for encroachments on the Property by improvements on adjoining property are acceptable provided that all of the following conditions are met:~~

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- ~~The encroachment does not touch any improvements on the Property.~~
- ~~Loss of use of any portion of the Property occupied by the encroachment will not interfere with the use of any improvements on the Property or cause the Property to be out of compliance with any zoning code or building code requirements, including requirements for number of parking spaces, open space or density.~~

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**7. ~~Encroachments onto adjoining property~~**

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~~Exceptions for encroachments of the Property onto adjoining property in the form of eaves, awnings, canopies, balconies, cornices or other projections attached to improvements on the Property, or by other structures such as tool sheds, storage sheds, carports, garages not attached to residential structures, or by a driveway appurtenant to the Property are acceptable if an endorsement to the title insurance policy affirmatively insures against loss suffered by reason of the entry of a decree or court order requiring the removal of the encroachment, and for encroachments by carports or garages not attached to residential structures, loss of any parking spaces will not cause the Property to be out of compliance with any zoning code requirement.~~

**8. ~~Oil, gas, ground water and mineral rights~~**

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~~Exceptions for outstanding oil, gas, ground water or mineral rights are acceptable provided all of the following conditions have been met:~~

- ~~The exercise of such rights will not result in damage to the Property or impairment of the use of the Property for its intended purpose.~~
- ~~There is no right of surface entry on the Property (whether express or by operation of law).~~
- ~~If title to the land was initially granted by the U.S. government through a patent grant under which mineral rights were established, then a STG Patent Endorsement 1 or another equivalent endorsement is being provided.~~

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~~See Section 20SBL.2(e)(15) for the safe harbor exceptions to title for the riparian rights of others.~~

**9. ~~Liens for taxes not due~~**

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~~Exceptions for liens for real estate or ad valorem taxes and assessments are acceptable if they specifically state that such liens either:~~

- ~~Are not yet due and payable, or~~
- ~~Are due but not yet delinquent~~

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~~For states in which there are supplemental real estate taxes or other "roll back" taxes, language substantially similar to the following language must also be included;~~

~~"The lien of supplemental taxes and/or adjusted taxes, if any, [pursuant to the (applicable state) Revenue and Taxation Code] assessed as a result of a change~~



in ownership or the completion of new construction occurring on or after the date of the policy, none yet due and payable as of the date of the policy."

**10. Tenants in possession**

Exceptions for rights of tenants in possession, as tenants only, under prior unrecorded residential leases, are acceptable.

**11. Reserved**

**12. Avigation easements**

Exceptions for avigation easements relating to aircraft rights are acceptable.

**13. Condominiums**

Exceptions for (i) condominium regimes or declarations of condominium rights or the equivalent in which the Borrower owns 100 percent of the condominium units at the Property, and/or (ii) condominium maps or references to condominium maps in the legal description where there is no condominium regime or declaration of condominium rights in effect are acceptable.

If the excepted document provides for periodic assessments payable by the Borrower, then either all such assessments must have been paid in full as evidenced by an estoppel certificate, or the Title Policy must state that any such assessments are not yet due and payable or have been paid in full.

**14. Calculation of acreage**

Exceptions for calculation of acreage, including shortage of area and engineering calculation of acreage are acceptable.

**15. Riparian rights**

Exceptions for riparian rights and navigational servitude are acceptable. Exceptions for water rights, claims or title to water are acceptable provided the title insurance policy contains CLTA Form 103.5 06 or ALTA 41.1 06 in accordance with Section 29SBL.1(g).

**16. Temporary construction easements**

Exceptions for temporary construction easements are acceptable provided that the construction has been completed and there are no further obligations by any party to the easement under such easement.

If a temporary construction easement is dated, or the terms of the easement expired, within the last 12 months of the date of the Title Policy, Single Counsel must advise whether affirmative mechanics lien coverage must be obtained, and if so, arrange to have it included with the Title Policy.

**17. Itemized survey and/or plat exceptions**

Itemized survey and/or plat exceptions for water detention basins, guy wires, power poles, buffers/landscape easements, curbing, light poles, electric/cable/phone boxes, sanitary sewer manholes, water valves, water/electric/sanitary sewer facilities, lake/creek/stream/pond, reinforced concrete pipes, drains and drainage systems, building setback lines that have not been encroached upon by buildings or retaining walls that in whole or in part serve as structural support to improvements on the Property as well as other non-structural items that do not violate any zoning laws or regulations to which the Property may be subject (e.g., fences, boundary walls, signs

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- that lie within the building setback lines), sidewalks, road visibility easements, and traffic control devices are acceptable.
- 18. Sewer and utility line tie-ins benefiting adjacent property**
- Easements allowing an adjacent property to tie into sewer and utility lines are acceptable provided that the easement specifically allocates responsibility to the parties for maintenance and any costs.
- 19. Restricted access to roadway, relinquishing rights to future curb cuts**
- Restricted access to roadway and/or the relinquishment of rights to future curb cuts are acceptable provided that access from the Property to a public roadway is available at all times (whether directly or by agreement meeting the requirements of Section 8SBL.6).
- 20. Rights of public in and to portions of public roadway, public sidewalks or public trails**
- Rights of the public in and to portions of public roadways, public sidewalks or public trails are acceptable.
- 21. Telecommunication and cable company agreements**
- A lease, license, easement or agreement for the provision of cable television, Internet, personal communications systems, high-speed data or other telecommunication systems to the Property, including marketing support agreements, ("telecommunications agreement") is acceptable, provided that it (a) contains terms and provisions, including compensation, that are customary for the market in which the Property is located, and (b) does not impose any financial obligations equal to or greater than \$50,000 on the Property owner, and does not impose any financial obligations on any mortgagee, and/or subsequent owner by foreclosure, deed in lieu of foreclosure or other conveyance (including reimbursement of any up-front fee paid by the provider to the Property owner upon termination of the agreement). If any easements are created pursuant to such telecommunication agreements, such easements satisfy Section 29SBL.2(e)(1).
- 22. Laundry leases**
- Laundry leases with third party vendors are acceptable.
- 23. [Facsimile] Collateral Assignment of Beneficial Interest**
- Exceptions for a [Facsimile] Collateral Assignment of Beneficial Interest for Illinois Land Trust loans are acceptable.
- 24. Emergency and/or Public Utility Vehicle Access Easements**
- Exceptions for emergency and/or public utility access easements are acceptable.
- 25. Waterfront Property or Property Bounded by Water**
- Exceptions for changes in the location of boundary lines as a result of accretion, reliction, erosion and avulsion are acceptable.
- 26. Redevelopment and Urban Renewal Plans**
- Exceptions for rights of cities or other applicable governmental authorities under redevelopment and urban renewal plans are acceptable; provided (i) the Property is in

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~~compliance with such plans; (ii) there are no on-going obligations of the Borrower under such plans (including future development, tenant restrictions, filing/reporting obligations, assessments, charges or liens); and (iii) there are no restrictions in the plans which would have an adverse impact on the use or valuation of the Property.~~

~~**27. Improvements Designated as Landmarks**~~

~~Exceptions for improvements that are designated by the applicable governmental authorities as landmarks are acceptable, provided that affirmative coverage for any loss resulting from the improvement being designated a landmark is provided or, if affirmative coverage is not available, the results of a current Landmark's Preservation Department search or an equivalent search confirm that there are no landmark violations indexed against the Property.~~

~~**28. \$1.00 Condemnation Clause in Deeds**~~

~~Exceptions for a "\$1.00 Condemnation Clause" in New York City deeds conveying the Property from New York City to a third party are acceptable provided that the Seller/Servicer or Single Counsel confirms that no portion of the Property lies within a proposed street.~~

~~**29. Exception for condominium/cooperative conversion restriction**~~

~~Exception for a prohibition against conversion of the Property to a condominium or cooperative structure is acceptable, provided the agreement does not contain any indemnification of property seller in connection with the conversion or other potential Lender liability.  
If the condominium/cooperative conversion restriction does contain an indemnification in connection with the conversion, the Seller/Servicer or Single Counsel must advise Freddie Mac.~~

~~**f. Exception for Private Transfer Fee Covenant (04/18/24)**~~

~~If the Title Policy contains an exception for a Private Transfer Fee Covenant that was created on or after February 8, 2011, the SBL Mortgage is ineligible for purchase by Freddie Mac. See Section 8SBL-14.~~

~~**29SBL.3 Legal description requirements (04/18/24)**~~

~~For each SBL Mortgage purchased by Freddie Mac, Seller/Servicer or Single Counsel must confirm that security instrument, related assignment, title insurance policy, UCC Financing Statements, and all other documents pertaining to the SBL Mortgage have a legal description that matches in all material respects the legal descriptions in the other documents.~~

~~**29SBL.4 Uniform Commercial Code search requirements (04/18/24)**~~

~~No earlier than 30 days prior to the Origination Date, the Seller/Servicer must cause a Uniform Commercial Code (UCC) search to be performed in the local jurisdiction in which the Property is located for the Borrower, if the loan is a refinance, or if the Property is being acquired by the Borrower, the current owner of the Property. This search must be conducted by a reputable title or search firm.  
If the UCC search indicates that there are any financing statements on file (other than the financing statements filed by the current lender that will be released at origination of the SBL Mortgage) then, prior to the Origination Date, the Seller/Servicer or Single Seller Counsel must provide an explanation of those financing statements to Freddie Mac.~~

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**29SBL.5 Survey requirements (04/18/24)**

~~A new survey is not required for SBL Mortgages.  
If the title insurance policy contains an exception for any itemized survey or plat matters, the  
Seller/Service must deliver an electronic copy of the referenced survey or plat with the  
recorded exception documents, in accordance with Section 29SBL.2.~~

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<b>Style name:</b> Default Style	
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<b>Changes:</b>	
<u>Add</u>	4
<del>Delete</del>	446
<del>Move From</del>	0
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Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	451

# Multifamily Seller/Service Guide

## Chapter 30

### Ground Lease Mortgages



- 30.1 General requirements (09/26/19)
- 30.2 Underwriting requirements for ground lease Mortgages (02/27/25)
- 30.3 Requirements for all ground lease Mortgages (06/25/20)
- 30.4 Additional requirements when Ground Lessor will not join in Mortgage (Unsubordinated Ground Lease) (02/27/25)
- 30.5 Amendment to Ground Lease (09/26/19)
- 30.6 Lessor's Estoppel Certificate (09/26/19)
- 30.7 Reserve for rents (06/25/20)
- 30.8 ~~Title insurance for ground lease Mortgages (09/26/19)~~ [Title insurance for ground lease Mortgages \(04/22/25\)](#)
- 30.9 Leases with Government Agencies (including Industrial Development Agencies) (09/26/19)



**30.1 General requirements (09/26/19)**

In general, Freddie Mac will consider purchasing a multifamily Mortgage secured by a lien on a leasehold estate ("ground lease Mortgage") only if the lease ("ground lease") demising the leasehold estate ("leasehold interest") to the Borrower (including its successors and assigns, unless otherwise noted, the "Ground Lessee") meets the terms and conditions set forth in this chapter.

In addition to the specific terms and conditions set forth in this chapter, Freddie Mac's purchase of a ground lease Mortgage (other than an SBL Mortgage or a TEL secured by a ground lease) is conditioned upon approval by Freddie Mac after review by counsel for Freddie Mac of the Seller's Ground Lease Analysis. Freddie Mac's purchase of an SBL Mortgage or a TEL secured by a ground lease is conditioned upon Single Counsel's approval based on its analysis of the ground lease and determination that the ground lease complies with the requirements of this chapter.

**30.2 Underwriting requirements for ground lease Mortgages (02/27/25)**

a. Copy of ground lease

At full underwriting (or at preliminary underwriting for an early rate-lock delivery), the Seller must deliver a copy of the executed ground lease and all existing amendments as follows:

- For a non-SBL ground lease Mortgage, to the *Applicable Freddie Mac Multifamily Regional Office* (with a copy to the applicable *Multifamily Attorney*).
- For an SBL ground lease Mortgage, to the *Small Balance Loan Team*.

b. Term of ground lease

The remaining term of the ground lease, together with any renewal options, must meet the following requirements:

- For a fully amortizing ground lease Mortgage, the remaining ground lease term must extend beyond the maturity date of the ground lease Mortgage by at least 10 years.
- For a partially amortizing ground lease Mortgage or for one with no amortization, the remaining ground lease term must be the longer of (a) the amortization period of the ground lease Mortgage plus any interest-only period, and (b) 20 years beyond the maturity date of the ground lease Mortgage.
- Renewal options that are at the sole discretion of the landlord under the ground lease ("Ground Lessor"), even if the Ground Lessor is controlled by or under common control with the Borrower, may not be considered part of the ground lease term for purposes of satisfying the ground lease term requirements set forth in this chapter.

c. Base Rent

1. The base rent payable under the ground lease must be a fixed ascertainable sum and the ground lease must not contain any provisions that permit increases, escalations or re-sets in the base rent, other than a sum certain increase at a specified date or time interval.





- 2. Increases, escalations or re-sets in the base rent based on a reappraisal of the Property are not acceptable.

d. Analysis

- 1. For a non-SBL ground lease Mortgage: Seller's legal counsel must confirm using the Ground Lease Analysis whether or not the ground lease satisfies all applicable requirements therein and in this chapter or will be amended prior to the Origination Date of the Mortgage to comply with all of the requirements.

If the ground lease fails to satisfy any of the applicable requirements and the ground lease will not be amended, then Seller's legal counsel must provide a legal analysis as part of the Ground Lease Analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to why Freddie Mac should accept the ground lease without it being compliant with the applicable provisions of this chapter.

As part of such recommendation, Seller's legal counsel must determine that any deviation from the requirements of this chapter satisfies each of the following conditions:

- It does not adversely affect the marketability of the ground lease estate.
- It will not have a foreseeable adverse effect on the Borrower's intended use or operation of the Property.
- It could not adversely affect Freddie Mac's ability to enforce its rights or remedies under the ground lease Mortgage.
- It does not deprive Freddie Mac of industry standard leasehold mortgagee protections or, to the extent one or more industry standard leasehold mortgagee protections are not included in the ground lease, the Ground Lease Analysis must describe such deficiency and why such deficiency should be acceptable to a prudent commercial lender, including Freddie Mac, together with any recommendations for potential mitigating provisions to be added to the loan documents, including any additional representations, covenants or recourse provisions.

Submission of the ground lease document alone is not sufficient and does not relieve the Seller of its responsibility to submit the required Ground Lease Analysis (together with any recommendations for any non-compliant matters) prepared by its counsel.

- 2. For an SBL ground lease Mortgage: Single Counsel must confirm whether the ground lease satisfies all applicable requirements in this chapter. If the ground lease fails to satisfy any of the applicable requirements and the ground lease will not be amended prior to the Origination Date of the Mortgage to comply with all of the requirements, then Single Counsel must determine that any deviation from the requirements of this chapter satisfies each of the following conditions:
  - It does not adversely affect the marketability of the ground lease estate.



- It will not have a foreseeable adverse effect on the Borrower's intended use or operation of the Property.
- It could not adversely affect Freddie Mac's ability to enforce its rights or remedies under the ground lease Mortgage.
- It does not deprive Freddie Mac of industry standard leasehold mortgagee protections.

**30.3 Requirements for all ground lease Mortgages (06/25/20)**

Except for a ground lease or other lease structure in place to obtain/maintain a tax benefit (discussed in Section 30.9), if the Ground Lessor will join in the Mortgage and mortgage its fee interest in the Property, then the ground lease will be considered a subordinated ground lease. If the Ground Lessor will not join in the Mortgage, then the ground lease will be considered an unsubordinated ground lease (see Section 30.4). Unsubordinated ground leases are not permitted for SBL Mortgages.

For any ground lease Mortgage to be eligible for purchase, the ground lease (whether subordinated or unsubordinated) must meet the following requirements:

a. Casualty

1. The ground lease must not contain a provision for termination in the event of damage or destruction, unless the ground lease Mortgage is paid in full.
2. The ground lease mortgagee must have the right to participate in adjustment of losses as to hazard insurance proceeds.
3. Hazard insurance proceeds must be paid to the ground lease mortgagee or an independent trustee acceptable to the ground lease mortgagee.
4. The Ground Lessor must not receive any hazard insurance proceeds until (i) the Property is fully restored or (ii) the ground lease Mortgage is paid in full.
5. If the Ground Lessee is obligated to rebuild after a casualty, then the Ground Lessee's obligation to rebuild must be limited to the amount of available insurance proceeds.
6. The ground lease must provide that no parties, other than the Ground Lessee and the ground lease mortgagee, will have any rights to (i) consent to or supervise the restoration of the Property (for example, the Ground Lessor may not have any right to participate in the adjustment of losses, approve budgets or approve plans and specifications) and/or (ii) control and/or supervise the administration and disbursement of the hazard insurance proceeds.
7. Either (i) the ground lease must provide that insurance proceeds may be applied to the ground lease Mortgage in accordance with the loan documents or (ii) the failure of the ground lease to provide as set forth in clause (i) must be disclosed to Freddie Mac in the Ground Lease Analysis and approved by Freddie Mac.



b. Condemnation

1. The ground lease must provide that a ground lease mortgagee receives notice of, and has a right to participate in, any condemnation proceedings and settlement discussions.
2. The ground lease must set forth the formula for allocating the condemnation award between the Ground Lessor, the Ground Lessee and the ground lease mortgagee (for both partial and total condemnation). The ground lease must provide that any payment to the ground lease mortgagee or an independent trustee acceptable to ground lease mortgagee, as applicable, must not be less than the total award minus the value of the land that was taken pursuant to the condemnation (considered as unimproved, but encumbered by the ground lease).
3. The ground lease must provide for payment to the ground lease mortgagee (or independent trustee acceptable to ground lease mortgagee for restoration in the case of partial taking) of any condemnation award to which the Ground Lessee is entitled under applicable law.
4. In the case of a partial taking, the ground lease must permit the Ground Lessee to rebuild and restore the improvements on the Property, unless the ground lease mortgagee requires or consents to distribution of the proceeds. In that event, the ground lease must permit proceeds to be applied first toward reduction of the ground lease Mortgage.
5. The ground lease must provide that no parties, other than the Ground Lessee and the ground lease mortgagee, will have any rights to (i) consent to or supervise the restoration of the Property (for example, the Ground Lessor will not have any right to approve budgets or plans and specifications) and/or (ii) control and/or supervise the administration and disbursement of the portion of the condemnation award to which Ground Lessee is entitled.
6. Either (i) the ground lease must provide that condemnation awards may be applied to the ground lease Mortgage in accordance with the loan documents or (ii) the failure of the ground lease to provide as set forth in clause (i) must be disclosed to Freddie Mac in the Ground Lease Analysis and approved by Freddie Mac.

c. Shared Appreciation Rights/Equity Participation

The ground lease may not grant the Ground Lessor (or any other party) shared appreciation rights or an equity participation in the Property (e.g., any right to share in the proceeds from a future financing/sale of the Property or the operating cash flow of the Property).

**30.4 Additional requirements when Ground Lessor will not join in Mortgage (Unsubordinated Ground Lease) (02/27/25)**

For any ground lease Mortgage to be eligible for purchase, an unsubordinated ground lease must meet the following requirements, in addition to those set forth elsewhere in this chapter.

a. General



1. Original lessee

If the Borrower is not the original lessee under the ground lease, then there must be evidence that the fee owner of the Property ("Ground Lessor") has specifically recognized the Borrower as lessee under the ground lease.

2. Recordation

The ground lease (including all amendments) or a memorandum of the ground lease and any assignments by the Ground Lessor or Ground Lessee of its interest in the ground lease must be recorded in the official land records of the jurisdiction where the Property is located.

3. Full Force and Effect

All conditions precedent to effectiveness of the ground lease term commencement must have been fully satisfied by the Origination Date of the ground lease Mortgage and the ground lease must be in full force and effect.

4. Use

If the ground lease does not permit "any lawful use", then at a minimum it must permit the Property to be used as it is currently being used on the Origination Date of the ground lease Mortgage and must not contain any unreasonable restriction on the use of the real property.

5. Ground lease mortgagee

The ground lease must not contain any conditions, restrictions or limitations on what type of lender (including such lender's successors and assigns) is qualified to be a "ground lease mortgagee".

6. Unaffiliated Ground Lessor

The Ground Lessor must not be an Affiliate of the Borrower.

b. Extension, Purchase, and Cancellation

1. Rights to extend or purchase

The ground lease must provide that the ground lease mortgagee may exercise any rights to extend the term of the ground lease or purchase the Property (if applicable) without the consent or joinder of the Ground Lessee.

2. Cancellation

The ground lease must provide that any termination, surrender or cancellation of the ground lease will not be effective without the prior written consent of the ground lease mortgagee.



c. Subletting and mortgaging the ground lease

1. Right to mortgage

The ground lease must expressly permit the Ground Lessee to mortgage the ground lease without any limitation or restriction.

2. Right to Sublet

The ground lease must provide that the Ground Lessee must have the right to sublet, subject only to objective criteria that would be acceptable to a prudent commercial lender. A provision in the ground lease that "Ground Lessor's consent will not be unreasonably withheld" (or similar provision) is not sufficient.

3. Commercial space

If the Property contains commercial space, then the ground lease must contain reasonable, objective standards requiring the Ground Lessor to grant nondisturbance and attornment agreements to commercial tenants.

d. Ground lease mortgagee protections

The ground lease must contain the following provisions:

1. Notice

The ground lease must require the Ground Lessor to give written notice to the ground lease mortgagee of all Ground Lessee defaults as a condition precedent to the Ground Lessor's exercise of any remedies for such default. The Ground Lessor must forward to the ground lease mortgagee copies of any notices it sends to the Ground Lessee, other than rent and other periodic billing notices.

2. Estoppel Certificates

The Ground Lessor must be obligated to deliver estoppel certificates to the ground lease mortgagee on request.

3. Modifications

The Ground Lessee must be prohibited from modifying the ground lease in any material manner or restating the ground lease without the prior written consent of the ground lease mortgagee.

4. Defaults and cure period

- Right to cure. The ground lease mortgagee must have the right to cure a monetary default or a non-monetary default that is capable of being cured by a ground lease mortgagee within the time permitted to the Ground Lessee, plus a reasonable additional time period (i.e., at least 10 days beyond any grace period granted to



Ground Lessee for monetary defaults and at least 60 days beyond any grace period granted to Ground Lessee for non-monetary defaults).

- Defaults not capable of being cured. The ground lease mortgagee must have protection against a default that is not capable of being cured by a ground lease mortgagee, including the following provisions:
  - The ground lease must prohibit termination of the ground lease as a result of any defaults of the Ground Lessee that by their nature are not capable of being cured by a ground lease mortgagee, so long as monthly base rents are being paid. Alternatively, the ground lease may provide that the Ground Lessor must waive a non-monetary default that is incapable of being cured if the ground lease mortgagee has commenced and is diligently pursuing the exercise of its rights and remedies and has cured any curable defaults within the applicable cure period afforded a ground lease mortgagee.
  - The ground lease must allow the ground lease mortgagee additional time to obtain relief from any bankruptcy stay in the Ground Lessee's bankruptcy sufficient to enable the ground lease mortgagee to either foreclose the lien of the ground lease Mortgage or obtain the appointment of a receiver or secure other remedies necessary to enable the ground lease mortgagee to take control of the Property.

5. Foreclosure

The ground lease must allow a foreclosure or acceptance of a deed-in-lieu of foreclosure by the ground lease mortgagee, its nominee or its designee without the consent of the Ground Lessor and without any conditions, restrictions, approvals or limitations. The ground lease mortgagee must have the unrestricted and unconditional right to further assign the ground lease and leasehold interest, subject only to delivery of notice to the Ground Lessor and other routine documentation requirements.

6. New lease

If the ground lease terminates for any reason (including the rejection of the ground lease in a bankruptcy proceeding) other than expiration of the term, then the Ground Lessor must be obligated, without any conditions, restrictions, approvals or limitations, to enter into a new lease with the ground lease mortgagee, its nominee or its designee on the same terms and conditions as the original ground lease and with the same title priority.

7. Personal liability

The ground lease (or an estoppel certificate executed by the Ground Lessor) must provide that any liability of the ground lease mortgagee and its assigns must be limited to the value of its interest in the ground lease.

8. Release of liability



The ground lease must provide for an automatic release of the ground lease mortgagee and its assigns from any further liability to the Ground Lessor after the assignment of the ground lease.

9. No merger

The ground lease (or an estoppel certificate executed by the Ground Lessor) must contain a provision that there will not be a merger of the fee title with the leasehold interest if the Ground Lessee becomes the owner (through acquisition or otherwise) of the fee estate.

e. Encumbrances on the fee

- Existing mortgage on fee estate

Any existing mortgage on the fee estate of the Ground Lessor must be subordinated to the ground lease, any subleases and any new ground lease given to ground lease mortgagee after termination of the original ground lease.

- Future mortgage on fee estate

The ground lease must prohibit the Ground Lessor from mortgaging the fee estate unless there is an express subordination of the fee mortgage to the Ground Lessee's interest under the ground lease, the interest of any ground lease mortgagee, any subleases and any new ground lease given to a ground lease mortgagee after termination of the original lease.

f. Sublease

If the ground lease is a sublease, then Seller's legal counsel or Single Counsel, as applicable, must review each lease/sublease in accordance with this chapter, and Freddie Mac must be satisfied that it has received adequate additional security or other assurances to mitigate the legal risks inherent in a sublease structure.

**30.5 Amendment to Ground Lease (09/26/19)**

If the ground lease does not meet all the conditions in this chapter, as applicable, and any areas of non-compliance described in the Ground Lease Analysis are not acceptable to Freddie Mac, then Freddie Mac may require an amendment to the ground lease. Freddie Mac will not accept an amendment to the ground lease in an estoppel certificate (except for personal liability and merger, as provided in Section 30.4(d)(7) and (9)) unless the estoppel certificate is recorded and provides that it amends the ground lease for the benefit of the Ground Lessee and any future ground lease mortgagee.

**30.6 Lessor's Estoppel Certificate (09/26/19)**

An estoppel certificate is not required if the ground lease will be executed simultaneously with the ground lease Mortgage.



For non-SBL Mortgages, the Seller must deliver a draft Ground Lessor's estoppel certificate to the Applicable Freddie Mac Multifamily Regional Office, with a copy to the applicable Multifamily Attorney for approval, at least 10 days before the Origination Date. At a minimum, the estoppel certificate must contain the provisions set forth in the Multifamily Ground Lessor's Estoppel Certificate found on FreddieMac.com. Freddie Mac may require that the Seller add additional provisions to the estoppel certificate, based upon Freddie Mac's review of the Ground Lease Analysis. The estoppel certificate must be dated within 30 days prior to the Origination Date.

The Seller must submit the approved and executed estoppel certificate to Freddie Mac at final delivery of the Mortgage.

**30.7 Reserve for rents (06/25/20)**

A Reserve for ground rents is not required if the security for the Mortgage includes a lien on the fee estate.

For all other ground lease Mortgages, the Seller must establish an appropriate Reserve, as determined by Freddie Mac, for rents due under the ground lease. At the time of final delivery of the ground lease Mortgage to Freddie Mac, the Seller must complete one of the following two forms, as applicable:

- Form 1058, Letter Agreement for Servicer's Reserve Custodial Account, or
- Form 1060, Letter Agreement for Reserve Custodial Account

The form must be completed by the depository institution holding the Custodial Account and must acknowledge Freddie Mac's interest in the Custodial Account. The completed form must be delivered to Freddie Mac at the address provided on the form.

**30.8 Title insurance for ground lease Mortgages (09/26/1904/22/25)**

In addition to meeting the requirements set forth in Chapter 29 ~~or Chapter 29 SBL, as applicable,~~ the ~~policy~~Title Policy must include the following:

1. Reference to the status of fee simple title to the Property and insurance that the Ground Lessee's interest under the ground lease and the Ground Lessee's option, if any, to purchase the fee interest in the related land, ~~and~~
2. Insurance that the ground lease is not subordinate to any lien or encumbrance (other than the ground lease Mortgage, if the fee owner is granting a mortgage on the fee estate); ~~and~~
3. Insurance that the lender's interest encompasses both the fee estate and the leasehold estate for a subordinated ground lease.

Freddie Mac may require additional endorsements that it determines are appropriate.

**30.9 Leases with Government Agencies (including Industrial Development Agencies) (09/26/19)**

If the Borrower has entered into a ground lease with a government agency (including an Industrial Development Agency or Authority) for the purpose of obtaining a tax abatement, tax exemption or

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payment in lieu of taxes (“tax benefit”), then Seller’s legal counsel or Single Counsel (as applicable) must analyze the ground lease as follows:

- If the tax benefit is used in the underwriting of the Mortgage, then the ground lease must be analyzed as an unsubordinated ground lease (even if the governmental agency granting the tax benefit will join in the Mortgage).
- If the tax benefit is not used in the underwriting of the Mortgage, then the ground lease must be analyzed as a subordinated ground lease.

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<b>Style name:</b> Default Style	
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<b>Original filename:</b> 30 - Ground Lease Mtgs GB-02-27-25.docx	
<b>Modified filename:</b> 30 - Ground Lease Mtgs GB-04-22-25.docx	
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<u>Add</u>	8
<del>Delete</del>	8
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<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	16

# Multifamily Seller/Servicer Guide

## Chapter 32

### Final Delivery Requirements



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- b. Delivery of Final Delivery Package (05/05/17)
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#### 32.2 Warehouse Mortgage delivery (05/05/17)

#### 32.3 ~~Use of counsel; Loan Documents; Settlement statements; Seller's Certification of Outstanding Items; Written notices (10/17/24)~~Use of counsel; Loan Documents; Settlement statements; Seller's Certification of Outstanding Items; Written notices (04/22/25)

- a. Use of counsel (08/15/24)
- b. Loan Documents (08/15/24)
- c. ~~Settlement statements (10/17/24)~~Settlement statements (04/22/25)
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#### 32.5 Delivery of Initial Delivery Packages for Forward Commitments for non-SBL Mortgages (09/01/16)

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- a. Multifamily Loan Purchase Statement (09/01/16)
- b. Receipt of funds (05/01/14)

#### 32.14 Purchase adjustments (01/13/09)



32.15 SBL collateral (09/01/16)

## 32.1 General final delivery requirements (08/17/23)

### a. Forms (09/01/16)

All of the Loan Documents, Final Delivery Tables of Contents, and Final Delivery Instructions referenced in this chapter are available at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase).

Final Delivery Table of Contents refers to either of the following, as applicable:

- Final Delivery Package Immediate Cash Loan and TAH Unfunded Forward Cash at Conversion Table of Contents
- Final Delivery Package Table of Contents Small Loan Purchase Product

Final Delivery Instructions refers to either of the following, as applicable:

- Final Delivery Instructions – Immediate Cash and TAH Unfunded Forward Cash at Conversion
- Final Delivery Instructions – Small Balance Loan Purchase Product

### b. Delivery of Final Delivery Package (05/05/17)

The Seller must deliver to Freddie Mac, at the Seller's expense, the Final Delivery Package. For all programs and products, the Seller must deliver the Final Delivery Package to *Multifamily Purchase*. Each delivery of a Mortgage to Freddie Mac must comply with the requirements of this chapter, the chapter for the applicable purchase program or product, and the applicable Final Delivery Instructions.

The “Final Delivery Package” consists of:

- The electronic delivery portion of the Final Delivery Package, which consists of documents delivered electronically to *Multifamily Purchase* by uploading such documents into the Document Management System (DMS). For identification of the documents comprising the electronic delivery Final Delivery Package, see the applicable Final Delivery Table of Contents. For guidance on how to deliver documents via DMS, see the document mapping in the Final Delivery Table of Contents.
- The hardcopy delivery portion of the Final Delivery Package, which consists of items delivered to *Multifamily Purchase* in their original hardcopy form. For identification of the documents comprising the hardcopy delivery portion of the Final Delivery Package, see the applicable Final Delivery Table of Contents.

Certain documents required to be included in the Final Delivery Package must be included in both the electronic delivery portion and the hardcopy delivery portion as specified in the Final Delivery Table of Contents.

Freddie Mac will accept delivery of the Note directly from the warehouse lender, and will accept electronic deliveries and hardcopy deliveries received at separate times, but Freddie Mac does not deem a Final Delivery Package to be complete until Freddie Mac has received both the electronic and the hardcopy delivery portions of such package. Note that required



electronic documents must all be uploaded to DMS before hardcopy documents arrive at Freddie Mac.

When delivering hardcopy documentation without a Final Delivery Table of Contents, a completed Multifamily Document Transmittal Form, available at [mf.freddiemac.com](http://mf.freddiemac.com), must be attached. In the case of deliveries of a pool of Mortgages (more than one Mortgage from the same Borrower or related Borrowers), the Seller must coordinate all deliveries so that the electronic and hardcopy delivery portions are received on the same date.

**c. Delivery and review period; preferred funding (08/17/23)**

1. The Seller must deliver the Final Delivery Package no later than noon Eastern time on the Mandatory Delivery Date identified in the applicable Letter of Commitment or early rate-lock application.

A delivery notification email must be sent to [MF\\_Delivery\\_Notification@freddiemac.com](mailto:MF_Delivery_Notification@freddiemac.com) with the Freddie Mac Loan Number, Property Name, Counsel name and tracking number within 24 hours of expected receipt. The original documents must be delivered in a one inch red-well folder.

2. The Seller must request in writing its preferred funding date (no earlier than 10 calendar days from the date on which Freddie Mac receives the Final Delivery Package and no later than the Mandatory Funding Date) by insertion of the preferred funding date on the applicable blank on the Final Delivery Table of Contents. If the Seller fails to provide a preferred funding date, funding will occur once review is completed, but no later than the Mandatory Funding Date.
3. Freddie Mac will commence review of the Final Delivery Package upon receipt. The Seller should plan for funding on the Seller's requested preferred funding date, as long as that date is at least 10 calendar days after the date on which Freddie Mac receives the Final Delivery Package and no later than the Mandatory Funding Date.

**d. Completion of documents (09/01/16)**

**1. Identification of documents**

The Loan Document revision date must appear on each Loan Document.

**2. Completion of blanks by the Seller**

The Seller must complete each blank in a Loan Document or other form required by Freddie Mac with the information specified by Freddie Mac, with "n/a," or with a cross-reference to the applicable modification Exhibit, as applicable. If the Letter of Commitment, the early rate-lock application or the Guide does not specify how a blank is to be completed, the Seller must contact:

- The *Applicable Freddie Mac Multifamily Regional Office* for instructions, for non-SBL Mortgages
- The *Multifamily Small Balance Loan Team*, for SBL Mortgages



### 3. Required changes

The Seller must do all of the following:

- Make any changes to the Loan Documents that are:
  - Required in writing by Freddie Mac
  - Required by the applicable Mortgage purchase program or product
  - Listed in the Authorized Changes to the Multifamily Loan Documents
- Add the signature block and any required witness signature lines and/or acknowledgments, in the form required by applicable law
- Include any changes to the format of the Loan Documents (for example, paper size, fonts, spacing) that are required by applicable laws

### 4. Permitted Changes

The Seller may add a table of contents, change the pagination and/or make changes to the font, paper size and other aspects of the Loan Documents. The Seller must ensure that any such permitted changes comply with the requirements of applicable law.

### 5. Method for making changes

The Seller must make all authorized and required changes on the appropriate modification exhibit to the document, and must mark the applicable box on the document to indicate such an exhibit is attached. The Seller may not make any changes to the Loan Documents by altering the text of the body of the document, except that modifications may be made directly to the text of the body of Riders to Loan Documents so long as such modifications are clearly identified by intentionally showing stricken-through (deleted) text and underlined (new) text.

#### e. Forms for assignments and Note endorsement (08/17/23)

Freddie Mac requires that the Seller assign to Freddie Mac certain documents in addition to the Security Instrument (for example, the Loan Agreement and the Guaranty) and endorse the Note to Freddie Mac.

#### 1. Omnibus Assignment

Freddie Mac requires the Seller to use the Freddie Mac Omnibus Assignment for all documents required to be assigned to Freddie Mac under the Guide, the Letter of Commitment, or the early rate-lock application (other than recorded documents and the Note).

#### 2. Note Endorsement

- The Note must bear an endorsement to Freddie Mac in the following form:

PAY TO THE ORDER OF THE FEDERAL HOME LOAN MORTGAGE  
CORPORATION WITHOUT RECOURSE



(Name of Seller-endorser)  
(Signature of duly authorized officer)  
(Typed name and title of signatory)

- Do not date the Note endorsement. The Note endorsement may appear on an allonge to the Note if the Freddie Mac loan number appears on the allonge and the allonge is attached to the Note.
- To the extent provided in the Uniform Commercial Code (UCC), the Note endorsement “without recourse” may limit Seller/Service’s obligation, as endorser under the UCC, to pay amounts due under the Note upon default by Borrower but will not affect Seller/Service’s repurchase obligations under the Purchase and Servicing documents.
- Any chain of endorsements must be complete from the original lender shown on the Note to Freddie Mac.

**f. Electronic recording (09/01/16)**

The Seller must electronically submit for recording or filing all Mortgage documents required to be recorded or filed if the applicable recording office accepts electronic recordings and/or filings.

**g. Organization of the hardcopy Final Delivery Package (09/01/16)**

With respect to the hardcopy portion of a Final Delivery Package, the Seller must deliver all of the applicable documents (except the Note delivered by a warehouse lender) along with the electronic versions in the following manner:

- Deliver an accordion folder (sometimes referred to as a redwell folder) labeled with the Seller’s name, Freddie Mac loan number, property name, and identified as the Final Delivery Package, with all documents adequately secured. The Seller must fasten each multipage document with a staple (with the exception of the Note and the Loan Agreement, which must be clipped). The Seller must not insert any loose documents or use rubber bands to hold any documents together;
- Arrange the documents in the order listed in the applicable Final Delivery Table of Contents, with the first listed item on top, the second item below it and so on; and
- Include the applicable Final Delivery Table of Contents, which identifies the titles of the documents included, and tabs to mark each item. If a document listed in the Final Delivery Table of Contents is not applicable, “N/A” must be noted on the Final Delivery Table of Contents. No such corresponding blank documents may be delivered or uploaded as part of the electronic delivery package.

**h. Freddie Mac’s review not a waiver (05/01/14)**

Freddie Mac’s review of submitted documents will not discharge or limit the Seller’s liability for breach of any warranties made under the Purchase and Servicing Documents. Further, the fact that Freddie Mac has prescribed a form for a particular document does not relieve the Seller of its obligation to ensure that all documents comply with and are enforceable



under applicable law. If the Seller doubts such compliance or enforceability with respect to a particular document, an attorney who represents the Seller must contact the applicable Freddie Mac *Multifamily Attorney* for instructions.

**i. Review of Mortgage prior to purchase (05/01/14)**

Before the Freddie Mac Funding Date, Freddie Mac may, in its discretion, refuse to purchase any Mortgage if it determines any of the following:

- The Mortgage is not of investment quality
- The Seller has failed to satisfy or has breached any of the provisions of the Purchase and Servicing Documents
- Any of the Seller's warranties or representations to Freddie Mac are untrue
- Any information provided by or on behalf of the Borrower is untrue, incomplete or misleading

If Freddie Mac declines to purchase a Mortgage for any of the reasons set forth above, it will retain any application fees paid to it and will treat the situation as a non-delivery of the Mortgage.

**j. Funding (09/01/16)**

After Final Delivery, Freddie Mac will review the Final Delivery Package and set the Freddie Mac Funding Date as the date requested by the Seller on the Final Delivery Table of Contents, subject to the limitations set forth in Section 32.1(c)(3). Freddie Mac will make payment on the requested date provided the conditions set forth in the Letter of Commitment or early rate-lock application, as applicable, and the applicable product chapters, and the Final Delivery Instructions, have been satisfied.

**k. Late delivery; nondelivery (08/18/22)**

For non-SBL Mortgages, late delivery and nondelivery provisions are found in the following sections:

- Sections 27.24(a), 27.24(c) and 27.26, for Mortgages delivered under the standard delivery option
- Sections 27.24 and 27.26, for Mortgages delivered under the early rate lock delivery option
- Section 19A.17, for Mortgages delivered under a Forward Commitment

For SBL Mortgages, late delivery and nondelivery provisions are found in Chapter 18SBL.

*Multifamily Purchase* may, in its discretion, assess a late fee for Final Delivery Packages received after the Mandatory Delivery Date. The late fee will be calculated by *Multifamily Purchase* as a per diem, using the interest rate set forth in the Note.





## 32.2 Warehouse Mortgage delivery (05/05/17)

For Mortgages that are subject to a security interest of a warehouse lender, the Final Delivery Package must include a properly completed, dated and executed Form 987M, Wire Transfer Authorization – Cash Warehouse Delivery, attached to a properly completed and executed Form 996M, Warehouse Lender Release of Security Interest, as required by Chapter 33. When delivering hardcopy documentation without a Final Delivery Table of Contents, a completed Multifamily Document Transmittal Form, available at [mf.freddiemac.com](http://mf.freddiemac.com), must be attached.

## 32.3 Use of counsel; documents for final delivery; settlement statements (~~10/17/24~~04/22/25)

Unless indicated otherwise in the applicable section or subsection, references in this chapter to “Mortgage” refer to non-SBL Mortgages, SBL Mortgages and TELs, and references to “counsel” refer to Seller/Service’s counsel for non-SBL Mortgages and Single Counsel for SBL Mortgages and TELs.

By its delivery of the Final Delivery Package to Freddie Mac, the Seller/Service will be deemed to represent and warrant to Freddie Mac that it has complied with the requirements of this section.

### a. Use of counsel (08/15/24)

1. For each non-SBL Mortgage submitted to Freddie Mac for purchase, an attorney who represents the Seller and who has the qualifications and experience required by Section 6.2 must:
  - Perform the tasks required by Chapter 6 and this chapter
  - Prepare and/or review all legal documents
2. For each SBL Mortgage or TEL submitted to Freddie Mac for purchase, Single Counsel who represents the Seller and Freddie Mac must:
  - For each SBL Mortgage, perform the tasks required by Chapter 6SBL and this chapter
  - For each TEL, perform the tasks required by Chapter 25 or 25A, as applicable, and this chapter
  - Prepare and/or review all legal documents

### b. Loan Documents (08/15/24)

1. The Seller must originate the Mortgage using the form documents listed in the applicable Currently Acceptable Multifamily Loan Documents accessed at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal). Each form used must have been listed on [mf.freddiemac.com](http://mf.freddiemac.com) during the period between the date the Letter of Commitment is issued (or the early rate-lock application is submitted by the Seller) and the Origination Date, unless otherwise approved in writing by Freddie Mac.
2. A Seller may:



- Provide its counsel with the appropriate Loan Documents that the Seller has obtained directly from mf.freddiemac.com, or
- Instruct its counsel to obtain the appropriate Loan Document directly from mf.freddiemac.com.

Regardless of the method used by the Seller's counsel to obtain the Loan Documents, the Seller will be responsible for making the absolute warranty set forth in Section 5.2(c).

**c. Settlement statements (~~10/17/24~~04/22/25)**

1. **Inclusion in Final Delivery Package; Execution.** The Final Delivery Package for the Borrower must include a copy of the final settlement statement for the Borrower.
  - The settlement statement must include the full legal name of the Borrower
  - The settlement statement must have been executed by the Borrower.
  - The settlement statement(s) must also be executed by the Title Company or be printed on the Title Company's letterhead.
  - The Seller/Servicer and its counsel must review the settlement statement to verify the information required in subsection c.2. below.
2. **Content.** There is no specific form for the final settlement statement; however, it must clearly include the information set forth below.
  - A. **Acquisitions.** If the Mortgage transaction is an acquisition as referenced in the Letter of Commitment, the settlement statement must include the following:
    - (i) For non-SBL Mortgages, the acquisition price actually paid by the Borrower for the Property, including:
      - the proceeds due to the seller of the Property after all adjustments,
      - the full legal name of the seller of the Property,
      - any credits to the Borrower against the contractual purchase price, and
      - any items which the Seller/Servicer has received Freddie Mac's prior approval in determining the acquisition price
    - (ii) For SBL Mortgages, the Required Actual Cash Purchase Price as defined in the Letter of Commitment, including:
      - the proceeds due to the seller of the Property after all adjustments,
      - the full legal name of the seller of the Property,



- any credits to the Borrower against the contractual purchase price,
- and any items which the Seller/Servicer has received Freddie Mac's prior approval to include in determining the Required Actual Cash Purchase Price

(iii) For all Mortgages:

- The Borrower's closing costs and cash contribution after closing costs (see also Section 10.18 for total acquisition costs, permitted closing costs and allocations for intangibles)
- As provided in Sections 29.1 ~~and 29SBL.1~~, the settlement statement(s) must be delivered to the Seller/Servicer or the Seller/Servicer's counsel directly by the Title Insurance Underwriter.

B. Refinances. If a Mortgage is a refinance, the settlement statement must include the following:

- The existing loan payoff amount
- The Borrower's closing costs (for refinance Mortgages in which the Property was acquired within the 12 months prior to Mortgage origination, see also Section 10.18 for total acquisition costs, permitted closing costs and allocations for intangibles)
- The Borrower's cash out after closing costs
- If a cash-in refinance, the Borrower's cash contribution after closing costs

C. All Mortgages. For both acquisition and refinance Mortgages, the settlement statement must also include the calculation of up-front escrow deposits, Reserves, and other cash collateral that matches the requirements of the Letter of Commitment or early rate lock application, and the list of all escrows held. In lieu of setting forth a detailed listing of the Seller/Servicer's Reserves and expenses directly in the main body of the settlement statement, such detail may be set forth as an exhibit to the settlement statement, provided such exhibit is expressly referenced in the main body of the settlement statement for the Borrower.

**d. Seller's Certification of Outstanding Items (08/15/24)**

All items required to be reviewed and approved by Freddie Mac prior to loan origination or prior to loan purchase as noted in the Letter of Commitment must be listed in the Seller's Certification of Outstanding Items, and to the extent approval from Freddie Mac has not been received by Seller for any such items at the time the Certification is executed, Seller must identify such items on the Certification.



**e. Written notices (08/15/24)**

Copies of all written notices that Seller/Service's legal counsel has determined must be and/or are generally advisable to be provided to third parties under any documents, instruments or agreement, recorded or unrecorded, affecting the Property in connection with the origination of the Mortgage and/or the subsequent assignment of the Mortgage to Freddie Mac, must be included with the Final Delivery Package. This includes for the purpose of entitling the Seller and/or Freddie Mac, each in its capacity as a mortgagee of the Property, to any legal rights under such documents, instruments or agreements.

**32.4 Specific final delivery requirements (08/17/23)**

In addition to the general requirements set forth in this chapter, more specific delivery requirements are set forth in the Final Delivery Instructions and the Letter of Commitment.

**32.5 Delivery of Initial Delivery Packages for Forward Commitments for non-SBL Mortgages (09/01/16)**

For all Forward Commitment products, the Seller must submit the Initial Delivery Package to *Multifamily Purchase* in accordance with the Final Delivery Instructions – Forward Commitment Initial Delivery. Final Delivery Packages for all Forward Commitment products must be submitted in accordance with the Final Delivery Instructions – Cash and Bonds.

**32.6 Reserved (05/01/14)**

**32.7 Reserved**

**32.8 Reserved**

**32.9 Reserved**

**32.10 Reserved**

**32.11 Preparing for purchase (09/01/16)**

**a. File identification prior to funding (05/01/14)**

When a Seller delivers a Mortgage to Freddie Mac for purchase, the Seller must note on the Loan Documents and accounting records retained in the Seller's file that Freddie Mac may purchase the Mortgage. Because Freddie Mac may reject a Mortgage before purchase, the Seller must not transfer the Mortgage to a Freddie Mac portfolio designation until Freddie Mac has purchased the Mortgage.

**b. Updated verification of the UPB (09/01/16)**

When Freddie Mac advises the Seller that it will purchase the Mortgage, the Seller must confirm the current UPB via email to *Multifamily Purchase*.

**c. Purchase price (05/01/14)**

Freddie Mac determines its purchase price for a Mortgage based on the UPB set forth in the Seller’s email verification of the UPB plus the purchase interest (the interest due from the first day of the month in which Freddie Mac will purchase the Mortgage until the day prior to the settlement date minus the Servicing Spread) plus or minus any applicable discount or premium.

**32.12 Wire transfer instructions (04/18/24)**

Before instructing Freddie Mac to make a wire transfer to an account, a Seller must ensure that the account is eligible to receive direct wire transfers. The Seller must submit to Freddie Mac *Multifamily Cash Management* the documentation required by Section 32.12(a) and 32.12(b). Settlements cannot be made if such documentation is not on file with Freddie Mac and in compliance with Sections 32.12(a) and 32.12(b).

**a. Authorization documentation (02/16/23)**

The Seller must identify the individuals authorized to provide wire transfer instructions to Freddie Mac on behalf of the Seller (the “authorized individuals”) by submitting the applicable “authorization documentation” (below) to Freddie Mac <i>Multifamily Counterparty Risk &amp; Compliance</i> .		
Authorization Documentation		
<b>For a corporation submit a completed:</b>	<b>For a sole proprietorship or a partnership submit a completed:</b>	<b>For a limited liability corporation submit a completed:</b>
Certificate of Corporate Secretary (Freddie Mac Form 989M) with Board resolution attached to Form 989M as Exhibit A	Certificate of Authorized Representative (Freddie Mac Form 988M) with resolutions from the governing body that is empowered to legally bind the Seller attached to Form 988M as Exhibit A, if applicable.	Certificate of Limited Liability Company Secretary/Authorized Representative (Freddie Mac Form 990M) with resolutions from the managers/members who are empowered to legally bind the Seller attached to Form 990M as Exhibit A

Freddie Mac will not accept wire transfer instructions or modifications to the authorization documentation executed by anyone other than an authorized individual.

Once Freddie Mac has received the executed authorization documentation, Freddie Mac will contact one or more of the individuals authorized to provide wire transfer instructions to Freddie Mac to confirm the accuracy of the wire instructions provided to Freddie Mac via the Form 483 or company letterhead, as applicable.

Freddie Mac will retain the authorization documentation on file. The Seller may contact *Multifamily Counterparty Risk & Compliance* to view the authorization documentation on file.



Freddie Mac requests that the Seller recertify its authorization documentation annually on the Multifamily Annual Certification Report (Form 16M, Annual Eligibility Certification Report, or Form 17M, Multifamily Annual Certification Report Structured Transaction & Tax-Exempt Bond Seller/Service, as applicable) confirming that the authorization documentation on file with Freddie Mac remains in full force and effect and that there are no changes to the individuals authorized to provide wire transfer instructions to Freddie Mac.

The Seller may not wait for a recertification request to notify Freddie Mac of any changes in its authorized individuals or wiring instructions. The Seller must notify Freddie Mac of any changes in its authorized individuals or wiring instructions within five Business Days of the change taking place. Freddie Mac *Multifamily Cash Management* will periodically contact the authorized individuals to verify the wire instructions on file. *Multifamily Cash Management* will send such validation requests via secure email.

Settlements cannot be made if Freddie Mac does not have on file a current certification or authorization documentation. The Seller can change, delete or add new authorized individuals only by submitting new authorization documentation. Freddie Mac requires five Business Days to process any such changes.

#### **b. Multifamily Wire Transfer Authorization (04/18/24)**

The Seller must submit to Freddie Mac *Multifamily Cash Management* the following forms:

- A completed Form 483M, Wire Transfer Authorization, executed by an authorized individual, as defined in Section 32.12(a), to represent the Seller's legal authorization to instruct Freddie Mac to wire transfer funds to a designated bank
- A completed, current version of the IRS Form W-8 or W-9, as applicable, for the Seller and for each entity in the transaction that will receive funds directly from Freddie Mac via wire transfer (e.g., warehouse lender, Title Company, etc.)

The Seller can change or add new wire transfer instructions only by submitting a newly executed and properly authorized Form 483M and a Form W-8 or W-9, which does not need to be newly executed as long as it is the latest version of the W-8 or W-9 available from the IRS. Freddie Mac will not accept wire transfer instructions submitted in any other manner. Freddie Mac requires at least five Business Days to process such a change.

See Section 33.4 for information regarding wire transfer instructions for the purchase by Freddie Mac of Mortgages subject to the security interest of a warehouse lender.

### **32.13 Purchase/settlement procedures (09/01/16)**

#### **a. Multifamily Loan Purchase Statement (09/01/16)**

After reviewing the Final Delivery Package, and prior to the purchase funds being sent, Freddie Mac will generate and send via email to the Seller the Multifamily Loan Purchase Statement, which includes a computation of the amount to be funded to the Seller as well as a statement of the percentage of participation purchased by Freddie Mac.

**b. Receipt of funds (05/01/14)**

Freddie Mac will advise the Seller of the scheduled Freddie Mac Funding Date. Freddie Mac initiates each wire transfer in sufficient time for the funds to be credited to the Seller's account on the scheduled Freddie Mac Funding Date. It is the Seller's responsibility to call its bank to confirm receipt of the funds. If the funds have not been credited to the account by the morning of the next Business Day, the Seller must contact the applicable *Multifamily Purchase Manager*.

**32.14 Purchase adjustments (01/13/09)**

If the Seller has any questions regarding the purchase balance before the funding of a Mortgage or purchase adjustments after the funding of a Mortgage, the Seller must contact the applicable *Multifamily Purchase Manager*.

**32.15 SBL collateral (09/01/16)**

For SBL Mortgages, the Seller must deliver the collateral required under Chapter 46SBL in accordance with all requirements set forth in that chapter.

<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:47:03 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 32 - Final Delivery Reqs GB-10-17-24.docx	
<b>Modified filename:</b> 32 - Final Delivery Reqs GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	6
<u>Delete</u>	7
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	13



# Multifamily Seller/Servicer Guide

## Chapter 36

### General Servicing Policies



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## 36.1 Servicing (07/15/14)

### a. Servicing topics (05/06/05)

Chapters 36 through 54 describe the specifics of servicing multifamily Mortgages for Freddie Mac.

This chapter deals with the general information that the Servicer needs to know with regard to being a Servicer for Freddie Mac.

### b. General responsibilities (07/15/14)

1. The Servicer must service Mortgages purchased by Freddie Mac in accordance with the requirements of applicable law and the Purchase and Servicing Documents (including the Guide).
2. Each Servicer must designate a Chief Servicing Officer, subject to Freddie Mac's approval. The Chief Servicing Officer must be an officer involved in, or responsible for, the administration and Servicing of Mortgages and/or whose primary responsibilities are related to the underwriting or analysis of the creditworthiness of loans being serviced by such Servicer. The Chief Servicing Officer's name must appear on a list of servicing officers furnished to and approved by Freddie Mac.

For each Servicer request for Freddie Mac approval of a transaction, the Servicer must include in the materials submitted to Freddie Mac a certification executed by the Chief Servicing Officer in the form found at [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset), attesting to the package quality and adherence to the requirements of the Guide (or, for a securitized loan, the applicable Servicing Standard set forth in the securitization documents).

3. The Servicer must monitor compliance with the Mortgage Document terms and conditions, including the Borrower's fulfillment of all responsibilities. The Servicer must notify Freddie Mac in the event of noncompliance with any terms and conditions that could negatively impact Freddie Mac's security or risk exposure (see Section 43.16(a)). The Servicer, under Freddie Mac's direction, must take actions needed to address and resolve any noncompliance issues.
4. The Servicer is responsible for acting in the most timely, efficient and responsible manner to protect Freddie Mac's interests with respect to Mortgages serviced for Freddie Mac.
5. The Servicer must represent and defend Freddie Mac's interests in the applicable Mortgages or Real Estate Owned (REO) to the extent it would represent and defend its own interest.
6. Freddie Mac expects the Servicer's facilities and practices to be sufficient to safeguard Freddie Mac's interests and expects the Servicer to respond promptly to the needs of both Freddie Mac and the Borrower.
7. The Servicer must track Borrower requests for lender consent and must provide that information to Freddie Mac as and when required by Freddie Mac.



8. Accounting by the Servicer must follow the Guide, as it is amended or supplemented from time to time.

### **36.2 Securitization (06/27/19)**

At the time of Securitization of a Mortgage, Freddie Mac will cease to own the applicable Mortgage. Upon the transfer of the Mortgage to a master servicer, Servicing of the applicable Mortgage for Freddie Mac will be terminated automatically without compensation to the Servicer or any subservicer. Any and all rights of the Servicer and any subservicer that are set forth in this chapter and Chapter 42, are applicable only for the period prior to Securitization during which Freddie Mac is the owner of the applicable Mortgage. The duties, rights and compensation to the Servicer and any subservicer after Securitization will be determined in accordance with the agreement, if any, between the master servicer and the primary Servicer.

### **36.3 Servicer agreements (05/06/05)**

In addition to general undertakings, representations and warranties elsewhere in the Guide, when Servicing Mortgages and REO for Freddie Mac, the Servicer must:

- Comply with the Purchase and Servicing Documents and any instruction, request or requirement issued by Freddie Mac
- Abide by Freddie Mac's decision with respect to any of the Mortgages or REO, regardless of the Servicer's percentage of participation in the Mortgage or REO
- Hold Freddie Mac harmless for any loss the Servicer may suffer from any decision made by Freddie Mac with respect to any of the Mortgages or REO, regardless of the Servicer's percentage of participation in the Mortgage or REO

### **36.4 Staff expertise (05/01/14)**

The Servicer must maintain specialized staff knowledgeable and experienced in multifamily asset management and Servicing, multifamily Mortgage documentation and other features that distinguish multifamily Mortgages from other mortgages. The Servicer must be alert and responsive to changing economic conditions. Effective Servicing of Freddie Mac Mortgages requires initiative and early intervention if signs of asset deterioration become evident and risk of default increases.

The Servicer must be alert to the objectives and interests of Freddie Mac in all matters that are relevant to the proper Servicing of multifamily Mortgages and maintenance of the Property.

The Servicer must continue to develop and maintain expertise in the following critical areas:

1. Market knowledge
2. Property valuation
3. Physical condition evaluation
4. Property management evaluation



5. Financial analysis
6. Borrower evaluation
7. Underwriting and credit analysis related to special servicing transactions
8. Insurance compliance
9. Problem resolution, including foreclosure

## 36.5 Material Vendor and Servicing Agent requirements (10/20/22)

### a. Permitted Material Vendor functions; contact with Borrower (10/20/22)

Freddie Mac will permit the Servicer to use a Material Vendor for certain low risk Servicing functions that the Servicer deems necessary and appropriate to manage the Servicer's Servicing responsibilities without prior Freddie Mac approval, but subject to the notification requirements set forth in Section 3.9. Delegation of functions beyond this scope is considered to be subservicing and requires Freddie Mac approval in accordance with Section 3.8(a). Additionally, the subservicer/Servicing Agent chosen by the Servicer must have also received Freddie Mac approval to service the requested collateral type prior to contracting with the Servicer (e.g., a Servicing Agent must be approved to service an SBL Mortgage prior to providing any Servicing function on an SBL Mortgage on behalf of a Servicer).

As examples, Freddie Mac will permit the Servicer to use a Material Vendor without prior approval for Servicing functions such as:

- Real estate tax services,
- Insurance compliance reviews,
- Uniform Commercial Code (UCC) monitoring and filings,
- Standard Replacement Reserve management,
- Financial statement data entry and other data entry, and
- Certain low risk accounting and reporting functions that the Servicer deems necessary and appropriate to manage the Servicer's accounting and reporting responsibilities, in accordance with Guide Section 50.2

Visit the Material Vendor web page for more information regarding Material Vendors and examples of ongoing loan activities that do not require further approval.

A Material Vendor without pre-approval from Freddie Mac may contact a Borrower only in the following situations:

1. An expert in the field of insurance may contact a Borrower directly in connection with providing insurance services to the Servicer.
2. For administrative functions, such as sending reminder letters to Borrowers regarding submission of annual property financial statements, the Material Vendor may send letters



to Borrowers only if authorized to do so by the Servicer and if such correspondence is on the Servicer's letterhead. In addition, the Material Vendor may engage in follow up telephone contact with the Borrower as needed in support of such administrative functions if authorized to do so by the Servicer and if the Material Vendor represents itself as calling on behalf of the Servicer.

The Servicer must ensure that each Material Vendor Servicing function meets the quality standards set forth in Section 36.5(c).

**b. Servicing functions for which the use of a Material Vendor is prohibited without prior approval (10/20/22)**

In general, the Servicer may not use a Material Vendor to make decisions related to the Mortgage's performance or credit risk, unless approved by Freddie Mac.

Specifically, Servicers may not use a Material Vendor to:

1. Perform any required Mortgage performance risk assessment or make related recommendations
2. Monitor or manage a Mortgage with a Risk Rating greater than six, a Delinquent or maturing Mortgage, or any Mortgage assigned to Freddie Mac Multifamily Asset Resolution
3. Perform credit analyses or make related recommendations (including all transaction and special Servicing requests)
4. Perform any services or functions that require or are likely to result in the Material Vendor receiving, using, handling, or otherwise having access to, any individual financial or personal information pertaining to any Borrower, Guarantor, or other individual, even if such services or functions are described as eligible Material Vendor responsibilities in Section 36.5(a)
5. Conduct property inspections, except as described in Section 40.14
6. Evaluate Repair Reserve requests or make related disbursement decisions
7. Manage letters of credit or any other collateral securing or related to the Mortgage other than UCC filings
8. Manage the Borrower relationship, including all communications with the Borrower, unless otherwise permitted by Section 36.5(a) (see also Section 50.2(b))
9. Communicate with Freddie Mac on behalf of the Servicer
10. The accounting and reporting responsibilities described in Section 50.2(b)

Upon Freddie Mac approval, a Servicer may delegate any of the above functions to a Servicing Agent.



### c. Quality and controls (10/20/22)

The Servicer must ensure that any Servicing that is the responsibility of a Material Vendor or Servicing Agent is completed in accordance with the Guide and with high quality standards, including as follows:

1. A Servicer that uses a Material Vendor or Servicing Agent domiciled in, or that provides services to the Servicer from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to a Material Vendor or Servicing Agent domiciled in and providing services to the Servicer from a State.
2. The Servicer must maintain thorough and accurate information and records regarding each Material Vendor or Servicing Agent responsibility and ensure that the Material Vendor or Servicing Agent has appropriate controls in place to fulfill its responsibilities.
3. Notwithstanding the use of a Material Vendor or Servicing Agent, the Servicer must be knowledgeable about the Mortgage and the Property and be able to provide accurate and thorough recommendations on all Servicing issues. The Servicer will remain liable to Freddie Mac for all obligations for which it has engaged a Material Vendor or Servicing Agent.
4. The Servicer must have detailed, well-controlled procedures and training for all functions managed or otherwise supported by a Material Vendor or Servicing Agent. As part of Freddie Mac's Seller/Servicer audit, the Servicer must be able to:
  - Provide documentation evidencing adequate controls that ensure a high quality work product
  - Provide documentation evidencing procedures and training for all functions assigned to a Material Vendor or Servicing Agent
  - Have available, either electronically or otherwise, access to underlying Material Vendor or Servicing Agent information and work product

The Servicer may lose Freddie Mac's approval to use a Material Vendor or Servicing Agent for Servicing responsibilities if Freddie Mac determines, in its sole discretion, that the Servicer's or Material Vendor's or Servicing Agent's controls are inadequate or if Freddie Mac, in its sole discretion, determines that the quality of the Material Vendor's or Servicing Agent's work is unsatisfactory.

### d. Notifying Freddie Mac of a Material Vendor or Servicing Agent (10/20/22)

Within 10 Business Days of the date of onboarding of a Material Vendor, the Servicer must notify Freddie Mac in accordance with the requirements in Section 3.9.

At least 60 days before contracting with a Servicing Agent, the Servicer must request Freddie Mac's prior written approval and notify Freddie Mac in accordance with the requirements in Section 3.8(a).





**e. Right to restrict use of a Material Vendor or Servicing Agent and to limit or prohibit use (10/20/22)**

Freddie Mac reserves the right to:

- Restrict the use of Material Vendors or Servicing Agents for a specific Servicing responsibility
- Prohibit the use of a particular Material Vendor or Servicing Agent for Servicing responsibilities
- Limit or prohibit a Servicer from using a Material Vendor or Servicing Agent for Servicing responsibilities

**f. Confidentiality (10/20/22)**

The Servicer must ensure that each Material Vendor or Servicing Agent used for Servicing responsibilities complies with the privacy and confidentiality provisions set forth in the Guide (including Section 36.15) and maintains appropriate training and controls to fulfill its privacy and confidentiality responsibilities. The Servicer will be liable to Freddie Mac for the failure of any Material Vendor or Servicing Agent to comply with these provisions.

**36.6 Servicing facilities and duties (05/06/05)**

The Servicer must maintain adequate facilities and experienced staff and must take all actions necessary to ensure that the Mortgages and REO in which Freddie Mac has an interest are serviced in accordance with the Purchase and Servicing Documents, applicable law, regulation or requirement, and any instructions issued by Freddie Mac.

**36.7 Power of attorney (05/06/05)**

In its discretion, Freddie Mac may give, and the Servicer must accept, a power of attorney that grants broader powers to the Servicer. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's power of attorney has been recorded. The Servicer must comply with all local recording requirements and is solely responsible for paying any recording fee assessed by the applicable authority.

**36.8 Inspection of Property; review of financial statements (05/06/05)**

A periodic inspection of the Property and review of the Income and Expense Statements for the Property are important tools in preventing, monitoring and evaluating the potential for a default of a Mortgage. For detailed instruction on types and timing of inspections and assessments required by Freddie Mac, see Chapter 40.

**36.9 Borrower inquiries (10/07/02)**

If asked by the Borrower, the Servicer must inform the Borrower whether Freddie Mac has purchased the Borrower's Mortgage. If Freddie Mac has purchased the Mortgage, the Servicer must explain to the Borrower that it services the Mortgage for Freddie Mac. The Servicer must answer the Borrower's inquiries and not refer the Borrower to Freddie Mac or advise the Borrower





to contact Freddie Mac directly concerning the Mortgage. The Servicer must give Borrowers prompt, clear and accurate information about their Mortgages. (See Sections 36.15 and 42.11 for additional Servicer obligations regarding Borrower inquiries.)

### **36.10 General requirements for Servicing reports (06/30/16)**

The Servicer must send assessments and loan-level accounting reports in conjunction with various paper reports.

Each report and all correspondence for a particular Mortgage must reference the Freddie Mac Seller/Servicer number and the Freddie Mac loan number. The Servicer must ensure that all reports required or requested by Freddie Mac are accurately prepared and promptly submitted.

The Servicer must submit such other reports as Freddie Mac may require from time to time.

### **36.11 Noncompliance fees (05/06/05)**

Freddie Mac may assess Servicing reporting noncompliance fees against the Servicer if the Servicer fails to provide timely, complete and accurate reports (regardless of the mode of submission or transmission).

Freddie Mac separately monitors Servicing reporting, accounting reporting and Delinquency reporting and separately assesses noncompliance fees. Freddie Mac will send the Servicer a written notification of each violation.

### **36.12 Modification; release (04/30/13)**

The Servicer must not modify, waive or release any term of any Note, Security Instrument or other Loan Document, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note, Security Instrument or other Loan Document except as authorized by the Purchase and Servicing Documents or by Freddie Mac.

### **36.13 Retention of Mortgage files (05/06/05)**

The Servicer must maintain all files and other materials relating to each Mortgage serviced for Freddie Mac in accordance with the requirements of Chapter 34.

### **36.14 Fraud prevention, detection and reporting (~~04/01/12~~04/22/25)**

The Servicer must have specific fraud prevention, detection and reporting practices and procedures in place in all areas of Servicing. See ~~Section 2.19~~[Chapter 7](#).

### **36.15 Confidential information; privacy; conflicts of interest; security of information (05/01/14)**

Through its Servicing of Mortgages for Freddie Mac, the Servicer sometimes obtains confidential information concerning the Borrower, Borrower Principals and the Property. The Servicer may use this information only as permitted under applicable law, including laws and regulations regarding privacy, disclosure of credit information, and the purchase and sale of securities. The



Servicer may not use this information in any way that could be construed to represent a conflict of interest or breach of confidentiality.

The Servicer must maintain confidential information concerning the Borrower, Borrower Principals and the Property in such a way as to ensure the security and confidentiality of the information, protect against anticipated threats or hazards to the security or integrity of the information, and protect against unauthorized access to or use of such information.

### **36.16 Disclosure of Borrower payment history (05/06/05)**

The Servicer must disclose to the Borrower, or to any third party authorized in writing by the Borrower, information maintained by the Servicer concerning the Borrower's payment history if the Borrower (or any third party authorized by the Borrower) requests such information in writing. Information so disclosed must be correct, complete and up-to-date, and must accurately reflect the Borrower's performance in meeting payment obligations without the use of codes or abbreviations.

### **36.17 Misuse of material information (05/01/14)**

Certain information about an individual Mortgage or Property obtained by the Servicer through its Servicing of Mortgages for Freddie Mac may be material to a purchaser or a seller of Participation Certificates (PCs) or other securities representing interests in that Mortgage. Information about the Mortgage or the Property is considered to be material if there is a substantial likelihood that a reasonable investor would consider the information to be important in determining whether to purchase or sell a PC or other security representing interests in the Mortgage. If the Servicer has material information about the Mortgage or the Property that Freddie Mac has not made publicly available, the Servicer may not purchase or sell such a PC or other security (or disclose material information relating to the PC or other security to a third party for its use) without disclosing such material information to the other party in the transaction. However, if disclosure of such information to other parties would contravene applicable law and regulations regarding disclosure of credit information, the Servicer must refrain from trading with respect to the PC or other security.

### **36.18 Equity Conflicts of Interest (08/26/21)**

#### **a. Notice (08/26/21)**

The Seller/Servicer must disclose the nature and extent of the Equity Conflict of Interest in writing to *Multifamily Asset Management, Borrower Transactions* any time that an Equity Conflict of Interest arises, or when the Seller/Servicer (including any of its employees, or affiliates) plans to enter into a transaction that would result in an Equity Conflict of Interest.

Refer to Section 2.25 for the definition of Equity Conflict of Interest.

#### **b. Freddie Mac rights (06/25/20)**

Freddie Mac may require that the Servicer repurchase a Mortgage, transfer Servicing of the Mortgage, or impose conditions on the Servicer's continued Servicing of the Mortgage if a Seller/Servicer-Level Owner Equity Conflict of Interest exists as defined in Section 2.25 and Freddie Mac, in its sole discretion, determines that such ownership is likely to result in inadequate Servicing of the Mortgage.

**36.19 Indemnity (05/01/14)**

The Servicer must indemnify Freddie Mac for and hold it harmless from any loss, damage or expenses (including court costs and reasonable attorney fees) that Freddie Mac sustains as a direct or indirect result of any failure on the Servicer's part to properly perform its services, duties and obligations under the Purchase and Servicing Documents or as a direct or indirect result of the Servicer's bankruptcy or insolvency.

**36.20 Independent contractor (05/06/05)**

Under the Purchase and Servicing Documents, the Servicer contracts with Freddie Mac as an independent contractor to service Mortgages for Freddie Mac. The Servicer is not an agent or assignee of Freddie Mac.

**36.21 Assignment by Freddie Mac (05/06/05)**

Freddie Mac has the unconditional right to sell, assign, convey, hypothecate, pledge or in any way transfer, in whole or in part, its rights under the Purchase and Servicing Documents. Freddie Mac has the right to direct the Servicer to send remittances, notices, reports and other communications to any party designated by Freddie Mac and may designate any such party to exercise any and all of Freddie Mac's rights.

**36.22 Assignment by the Seller or the Servicer (05/06/05)**

The Seller or the Servicer must not assign, sell, convey, hypothecate, pledge or in any other way transfer, conditionally or otherwise, its interests, rights or obligations under the Purchase and Servicing Documents except as expressly permitted in the Purchase and Servicing Documents.

**36.23 Minimum net worth (05/06/05)**

The Servicer must maintain, at all times, a minimum net worth in accordance with the requirements of Chapter 3.

**36.24 Use of counsel with respect to Mortgages serviced for Freddie Mac (06/30/16)**

For the requirements regarding the use of counsel for Mortgages serviced for Freddie Mac, see Chapter 6. For the requirements regarding the use of counsel for SBL Mortgages serviced for Freddie Mac, see Chapter 6SBL.

**36.25 Consent Request Tracker (04/18/24)**

When a Servicer receives a Borrower request for Lender consent, the Servicer must use Freddie Mac's Consent Request Tracker (CRT), a shared tool that provides information to track the progress of Borrowers' requests with respect to all Mortgages.

Within 2 Business Days after receipt of a Borrower request for Lender consent, the Servicer must:

- Log the request into the CRT,



- Record general information regarding the request, including completing data fields as required, and
- Assign the next level reviewer of the request as needed

As the review of the request continues, the Servicer must keep the CRT current by timely recording date milestones, status information, any comments and key dates on individual consent requests. For securitized Mortgages, primary servicers, master servicers and special servicers will also have access to and use the CRT to record such information.

CRT can also be used to upload the required documentation for the request rather than uploading it directly to Document Management System (DMS). For securitized Mortgages, this capability applies solely where Freddie Mac is master servicer.

<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:47:56 PM</b>	
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<b>Intelligent Table Comparison:</b> Active	
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<b>Modified filename:</b> 36 - General Servicing Policies GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	5
<u>Delete</u>	5
<u>Move From</u>	0
<u>Move To</u>	0
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<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	10

# Multifamily Seller/Servicer Guide

## Chapter 41SBL

### SBL Transfers of Ownership



#### 41SBL.1 Transfers of Ownership in the Property or in the Borrower (04/18/24)

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- b. Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (06/30/16)
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- a. Approval (06/30/16)
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- g. ~~Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/18/24)~~  
Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/22/24)
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- a. Information to be provided to Freddie Mac (06/29/18)
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41SBL.9 Fees (04/30/19)

- a. Review/processing fee (12/14/18)
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- c. Transfer fee (12/14/18)
- d. Remittance of fees (04/30/19)



## 41SBL.1 Transfers of Ownership in the Property or in the Borrower (04/18/24)

As used in this Chapter 41SBL, the term “transferee” refers to:

- The new Borrower if the proposed transaction is a Transfer of Ownership in the Property with an assumption of the loan, or
- The new owner of interests in the Borrower if the proposed transaction is a Transfer of Ownership interests in the Borrower

### a. **Applicability; use of the Consent Request Tracker and review of General Loan Information (04/18/24)**

This chapter states the procedures for Servicers to use with respect to permitted, conditionally permitted and prohibited Transfers of Ownership in the Property (assumptions) and Transfers of Ownership interests in the Borrower.

For each Transfer of Ownership, the Servicer must:

- Use the Consent Request Tracker (CRT) to record date milestones, status information, comments and the date of a Servicer’s decision on individual Borrower requests for lender consent in accordance with Section 36.25. CRT can also be used to upload any applicable documentation for the consent request instead of separately opening Document Management System (DMS) to upload the documents.
- Review the General Loan Information (GLI) (for example, Property name and total units) to ensure that the GLI data is accurate, and send any corrections via email to [MF\\_Asset\\_Perf@freddiemac.com](mailto:MF_Asset_Perf@freddiemac.com).

### b. **Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (06/30/16)**

#### 1. Electronic delivery

When this chapter requires electronic delivery of any document, 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 *Multifamily Asset Management, 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 *Multifamily Asset Management, Borrower Transactions*.

#### 3. Delivery of notices to Freddie Mac

When this chapter requires email delivery of a notice to Freddie Mac, the Servicer must direct the email to Freddie Mac *Multifamily Asset Management, Borrower Transactions*.





**c. Delivery of documents and notices to Freddie Mac following a Transfer of Ownership (06/29/18)**

**1. Electronic delivery**

When this chapter requires electronic delivery of any document following a Transfer of Ownership, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents onto the Freddie Mac Multifamily DMS and using the “File Submission” link to notify *Multifamily Purchase*.

**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 onto DMS, and
- Deliver the original to Multifamily Purchase.

**d. Seller/Servicer obligation to screen existing and new Borrowers and Borrower Principals, and Non-U.S. Equity Holders (09/01/16)**

Within five Business Days after the Transfer of Ownership occurs, the Servicer must electronically deliver the following certification to Freddie Mac in a letter on the Seller/Servicer’s stationery:

- “Servicer certifies that it has determined that none of [insert Borrower, new Borrower Principals, new Non-U.S. Equity Holders or new property management company, as applicable] are the target of any sanctions law administered or enforced by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), including a person or entity identified on the most current OFAC Specially Designated Nationals and Blocked Persons (SDN) List or OFAC Consolidated Sanctions List; and
- Servicer certifies that it has reviewed the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List in accordance with Section 2.24 of the Guide and that none of the [insert Borrower, new Borrower Principals or new property management company, as applicable] are identified on the FHFA SCP List, subject to any conditions or exclusions set forth in any applicable FHFA SCP final suspension order published on FHFA’s SCP website.”

See Sections 41SBL.3(c) and 41SBL.6(g) for requirements for submitting this certificate with the required documentation for a Transfer of Ownership.

The Servicer must also conduct the Exclusionary List review as provided in Section 2.18.

**41SBL.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)**

Loan Documents have varying provisions regarding Transfers of Ownership. The Servicer and Single Counsel must carefully review the applicable Loan Documents to determine what, if any, Transfers of Ownership are permitted and what the conditions are for reviewing those Transfers of Ownership.

**a. Mortgages that permit transfers without the consent of the Lender (04/18/24)**

Certain Loan Documents permit Transfers of Ownership interests in the Borrower without consent of the lender, and without specific pre-authorization provisions.

The Servicer must take the following actions:

1. Enter the permitted transfer into the Consent Request Tracker within five Business days after learning of it, and must, at that time, include the name of the transferee, the date of the Transfer of Ownership, and the terms of the transfer, if known. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver supporting documentation such as an organizational chart and organizational documents to Freddie Mac.
3. Ensure that all insurance policies reflect the new ownership.

A confirmation email will be sent by Freddie Mac if Freddie Mac concurs that the transfer is permitted under the terms of the Loan Documents.

For Transfers of Ownership permitted by SBL Mortgages described in this section, the application and approval provisions of this chapter do not apply, and neither Freddie Mac nor the Servicer will impose a review/processing fee or transfer fee (other than as set forth in the Loan Documents).

**b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)**

Some Loan Documents contain provisions that pre-authorize certain Transfers of Ownership that have been underwritten at the time of the origination or prior assumption of the Mortgage. See Section 41SBL.3 for the procedures for approval and documentation of a conditionally permitted Transfer of Ownership.

**c. Reserved (06/29/18)****d. Mortgages that prohibit transfers without the consent of the Lender (06/29/18)**

If the Loan Documents contain a provision that states that the lender may or will permit an otherwise prohibited Transfer of Ownership if the proposed transferee meets certain standards as to credit, management ability or other matters, the Property (and interests in a Borrower entity that are covered by the transfer language) may be transferred, but only subject to the provisions of Sections 41SBL.4 through 41SBL.8.

**41SBL.3 Conditionally Permitted Transfers of Ownership (06/13/24)****a. Notice to Freddie Mac (04/18/24)**

Within two Business Days after receiving notice of a conditionally permitted Transfer of Ownership – whether that notice is received prior or subsequent to that Transfer of



Ownership – the Servicer must enter the applicable information into the Consent Request Tracker.

1. If the Servicer receives notice of a conditionally permitted Transfer of Ownership after the Transfer of Ownership is completed, the Servicer must:
  - Confirm that the Transfer of Ownership is conditionally permitted under the terms of the Loan Documents and
  - Deliver any documentation required by the terms of the provisions in the Loan Documents and remit any applicable fees to Freddie Mac as described in 41SBL.3(b) - (e).
2. If the Servicer receives notice of a conditionally permitted Transfer of Ownership prior to the date of the transfer, then promptly following the Servicer's receipt of notice from the Borrower, the Servicer must electronically deliver to Freddie Mac each of the following:
  - Copies of any documentation required by the terms of the pre-authorization provisions in the Loan Documents
  - Confirmation from Single Counsel that the transfer is conditionally permitted under the terms of the Loan Documents
  - Servicer's written certification that the Transfer of Ownership meets all the requirements for a conditionally permitted Transfer of Ownership under the terms of the Loan Documents

If Freddie Mac concurs that the transfer is conditionally permitted under the terms of the Loan Documents, Freddie Mac will issue an Acknowledgment of Conditionally Permitted Transfer. The Servicer must then deliver the documentation and remit the applicable fees as described in 41SBL.3(b) - (e).

**b. Delivery of documents requiring Freddie Mac signature (06/29/18)**

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least three Business Days prior to the date of the conditionally permitted Transfer of Ownership.

**c. Transfer documentation – electronic delivery (06/13/24)**

Not later than five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must electronically deliver the following documents if required by the Loan Documents and/or the Freddie Mac Acknowledgment of Conditionally Permitted Transfer:

1. Servicer's certification(s) regarding Borrower and organizational documents, if applicable
2. Servicer's OFAC/FHFA SCP certificate as required by 41SBL.1(d)



3. Reserved
4. An executed Form 1115, Borrower and Key Borrower Principal Certificate, as detailed in Section 55SBL.2, for each transferee and new Key Borrower Principal, as applicable
5. Preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7, if not previously provided to Freddie Mac
6. If applicable, a certified copy of any recorded documents such as a Memorandum of Loan Assumption Agreement or a UCC Financing Statement
7. Transfer of Interest Reaffirmation Agreement; if the Reaffirmation Agreement, if applicable
8. Guaranty Assumption and Loan Modification Agreement, if applicable
9. Assignment of Management Agreement, if applicable
10. Freddie Mac Acknowledgement of Conditionally Permitted Transfer, acknowledged by the Servicer (if required by the Acknowledgement), if not previously uploaded to DMS
11. Opinions, if applicable
12. Any other documents required by the terms of the Loan Documents or the Freddie Mac Acknowledgement of Conditionally Permitted Transfer

**d. Post-transfer documentation – delivery of originals (04/18/24)**

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must deliver to Freddie Mac originals of any amendment to any Note, Guaranty or any other Loan Document for which delivery of an original is required under the Final Delivery Package Table of Contents - SBL.

**e. Remittance of fees (06/29/18)**

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must remit by wire transfer any fees required pursuant to the terms of the pre-authorization provisions of the Loan Documents, in accordance with the requirements of Section 41SBL.9.

## **41SBL.4 Transfer of Ownership requiring Freddie Mac consent (12/12/24)**

**a. Conditions for Freddie Mac consent (08/15/24)**

For all Transfers of Ownership requiring Freddie Mac consent, including (i) transfers of all or any portion of the Property, (ii) transfers of a direct or indirect controlling interest in Borrower, and (iii) transfers of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, the Servicer must provide to Freddie Mac an analysis of and, if applicable, recommendation with respect to, each of the following requirements:



1. The Borrower has submitted to the Servicer all information required by the Servicer to make the determination required by this Section along with the applicable nonrefundable Transfer of Ownership processing fee
2. The transferee meets Freddie Mac's eligibility, credit, management and other standards (including any standards with respect to previous relationships between Freddie Mac and the transferee), including having no unmitigated adverse findings from the Public Record Searches required by the Guide
3. The transferee's organization, credit and experience in the management of similar properties is appropriate to the overall structure and documentation of the Loan, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
4. The Property will be managed by (or will continue to be managed by) a Property manager meeting the requirements of the Loan Agreement
5. The Property, at the time of the proposed Transfer of Ownership, meets all of Freddie Mac's standards as to its physical condition, occupancy, net operating income, and the accumulation of reserves
6. In the case of a Transfer of Ownership of all or any part of the Property, each of the following conditions is satisfied:
  - The transferee meets the requirements of Section 6.13 of the Loan Agreement.
  - The transferee executes Freddie Mac's then-standard assumption agreement for SBL Mortgages that, among other things, requires the transferee to perform all obligations of the Borrower set forth in the Loan Documents, and may require that the transferee comply with any provisions of the Loan Agreement or any other Loan Document which previously may have been waived or modified by the lender.
  - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.
  - The transferee executes such additional documentation as Freddie Mac may require.
7. In the case of a Transfer of Ownership of a direct or indirect controlling interest in Borrower, each of the following conditions is satisfied:
  - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.



- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then the requirements of Section 41SBL.4(b) will apply.
  - The transferee and Borrower execute such additional documentation as Freddie Mac may require.
8. In the case of a Transfer of Ownership of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, each of the following conditions is satisfied:
- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then (i) the Borrower causes one or more persons or entities acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac and (ii) the requirements of Section 41SBL.4(b) will apply.
9. Freddie Mac receives any such legal opinions that Freddie Mac deems necessary, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
10. The Servicer collects all costs, including the cost of all title searches, title insurance and recording costs, and all attorneys' fees and costs incurred in reviewing the Transfer of Ownership request
11. At the time of the Transfer, the Borrower pays a Transfer of Ownership Fee equal to one percent of the outstanding principal balance of the indebtedness as of the date of the Transfer of Ownership, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*

**b. Continuing liability of the Borrower and Guarantor (06/29/17)**

If the Borrower and Guarantor request a release of their respective liabilities under the Loan Documents in connection with a Transfer of Ownership of all of the Borrower's interest in the Property, and Freddie Mac approves the Transfer of Ownership pursuant to Section 41SBL.6, then one of the following will apply:

1. If the Form 1104, SBL Physical Risk Report, meeting the requirements of Section 62SBL.3 submitted by the Servicer in connection with the Transfer of Ownership (A) is dated within 90 days prior to the date of the proposed Transfer of Ownership, and (B) evidences no presence of environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will do each of the following:
- (i) Release the Borrower from all its obligations under the Loan Documents except for liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) with respect to any loss, liability, damage, claim, cost or expense which directly or indirectly arises from or relates to any Prohibited Activities or Conditions existing prior to the date of the Transfer of Ownership.





- (ii) Release the Guarantor from all the Guarantor's obligations under the Loan Documents except for the Guarantor's obligation to guaranty the Borrower's liability described in Section 41SBL.4(b)(1)(B)(i) above.
- 2. If the Form 1104, SBL Physical Risk Report, prepared in connection with the Transfer of Ownership request identifies any environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will release the Borrower and the Guarantor from all of their respective obligations under the Loan Documents except for the Borrower's liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) and the Guarantor's obligation to guaranty the Borrower's liability.

**c. Required Servicer disclosure (08/26/21)**

If an Equity Conflict of Interest exists as defined in Section 2.25, then the Servicer must provide to *Multifamily Asset Management, Borrower Transactions* a written statement that discloses the nature and extent of that Equity Conflict of Interest within three Business Days after receiving the Borrower's request for approval of the Transfer of Ownership.

**d. Application for approval; information required (12/12/24)**

Within two Business Days after receiving a request for a Transfer of Ownership, the Servicer must enter the applicable information into the Consent Request Tracker.

The Servicer must electronically submit a complete review package and the Servicer's recommendation, including the applicable information required pursuant to Sections 41SBL.4(d) and (e) to Freddie Mac at least 15 days prior to the proposed date of the Transfer of Ownership. The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local laws or regulations.

Promptly following receipt of the Borrower's notification of the pending Transfer of Ownership, the Servicer must collect the following information from the Borrower and proposed new Key Borrower Principals, as applicable, following up with the Borrower as necessary to ensure timely receipt of required materials. *Items 3, 4, 6, 7, and 9 through 14 are not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

- 1. A nonrefundable review/processing fee in accordance with Section 41SBL.9
- 2. A completed Transfer of Ownership/Assumption Request, available via FreddieMac.com, including
  - The Servicer's thorough analysis of the risks, strengths, and weaknesses associated with the proposed Transfer
  - The Servicer's justification and support for its recommendations with respect to any requests for waivers or document modifications



- The Servicer's recommendations regarding the need for adjustment to any Impositions or Reserves
  - The Servicer's explanation of the terms of any seller take-back financing or other Subordinate Financing
  - The Servicer's explanation of any unusual proposed transferee structure or structure of a transaction done for tax purposes
  - Information regarding any deadline for a real estate exchange done pursuant to Internal Revenue Code Section 1031 (Note: Reverse 1031 exchanges are not permissible)
3. A copy of the executed contract of sale or other transfer agreement, letter of intent, or other indication of the Borrower's intent to transfer an ownership interest in the Property or in the Borrower, together with a Purchase Agreement Analysis form (as described in Section 55SBL.2).
  4. Current financial statements of the proposed transferee and the proposed new Key Borrower Principals, as described in Section 55SBL.2
  5. An executed Form 1115, Borrower and Key Borrower Principal Certificate, for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
  6. An executed Form 1116, Real Estate Schedule, for each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
  7. Information concerning the managerial experience of the proposed transferee (if not otherwise fully reflected on Form 1115) and the proposed paid professional manager, if applicable, as detailed in the mortgage transaction narrative analysis description in Section 55SBL.2
  8. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Certified Organizational Chart must include the elements set forth in the Guidance – Organizational Charts.
    - Each entity's name, State of formation, and type (e.g., Delaware limited liability company)
    - Each party's ownership percentage
    - Each party's role (e.g., Principal, Guarantor, manager, general partner, etc.)
  9. Current financial statements for the Property including a trailing 12-month statement, each certified by the Borrower in the manner described in Section 55SBL.2, together with the Servicer's analysis of those statements. If the two most recent certified calendar year financial statements have been submitted to Freddie Mac via the Property Reporting System (PRS), the Servicer may make a statement to that effect on the Transfer of Ownership/Assumption Request and need not attach the calendar year





statements unless requested to do so by Freddie Mac

10. A Form 1104, SBL Physical Risk Report, prepared by a physical risk consultant in compliance with Chapter 62SBL if any of the following apply:
  - The Property was built more than 15 years previously
  - The most recent Annual Inspection Form (AIF) noted significant Deferred Maintenance
  - The buyer proposes significant capital improvements
  - The Borrower and Guarantor are requesting a release from environmental liability pursuant to Section 41SBL.4(b)
11. If a Form 1104, SBL Physical Risk Report, is not required pursuant to Section 41SBL.4(a)(10), and if the most recent AIF is dated more than 12 months prior to submission of the transfer request, then the Servicer must conduct a physical inspection of the Property and deliver an updated AIF to Freddie Mac
12. Copies of all current property reports obtained in connection with the Transfer (e.g., Appraisal, the Level 1 Seismic Risk Assessment (SRA), the Form 1104, SBL Physical Risk Report, etc.)
13. A current credit report for any proposed Guarantor that is an individual, as detailed in Section 55SBL.2
14. A preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7
15. Written certification of the Servicer that there is no uncured event of default or any event, act, or condition that, but for the giving of notice or the passage of time, would constitute an event of default unless such Transfer of Ownership would cure the event of default
16. For a Transfer of Ownership that does not involve a transfer of title to the Property, a Certified Organizational Chart (including Form 1114, Certification – Organizational Chart) for the Borrower as constituted prior to the proposed Transfer of Ownership
17. The Public Records Searches as required by Section 2.28
18. Any other information which Freddie Mac may request in connection with its review of the proposed Transfer

**e. Additional information required for Transfers of Ownership of interest in the Property (09/28/18)**

If title to the Property will change as a result of the Transfer of Ownership, the Servicer must provide the following additional information to Freddie Mac:



1. Organizational documents of the proposed Borrower, together with Servicer's certification that it has reviewed the organizational documents and that they comply with the requirements of Section 9SBL.7
2. Certified Organizational Chart of the proposed Borrower, together with the Form 1114, Certification — Organizational Chart
3. Title update report dated no earlier than 30 days before the date of the Transfer
4. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
5. The proposed new Borrower's first year budget for the Property
6. Evidence of insurance, as described in Section 31.19(b)

**f. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)**

The Servicer must deliver each of the following to Freddie Mac at least five Business Days prior to the date of the proposed Transfer of Ownership, *except that item 1 is not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A draft property management agreement in essentially final form
2. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Organizational Chart must include the elements set forth in the Organizational Chart Interactive Guidance at <https://mf.freddiemac.com/lenders/asset/> under Asset Management References.

**41SBL.5 Prohibited Transfer of Ownership requiring Freddie Mac consent -- review of the application (06/29/18)**

Freddie Mac will evaluate the application and the Servicer's recommendation in accordance with Freddie Mac's credit policies and the terms of the Loan Documents. Factors to be considered may include the following:

- The net income of the Property before debt service and depreciation
- The Debt Coverage Ratio (DCR) and the Loan to Value Ratio (LTV)
- The Property condition
- The proposed transferee's equity in the Property
- The proposed transferee's previous management experience and its ability to maintain or increase the net income of the Property



- The proposed transferee's and proposed Guarantor's financial statements and credit history (evidence that each has the ability to repay the Mortgage and evidence that each has repaid or is repaying other loans according to their respective terms)
- The terms and conditions of any Subordinate Financing

#### **41SBL.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (~~04/18/24~~04/22/25)**

##### **a. Approval (06/30/16)**

If Freddie Mac approves the application for the Transfer of Ownership, Freddie Mac will issue an approval letter containing the terms and conditions of its approval.

##### **b. Preparation and review of the documents by counsel (06/30/16)**

Chapter 6SBL sets forth the responsibilities of the Servicer and Single Counsel in connection with a Transfer of Ownership.

The Servicer must obtain the necessary legal documentation to ensure that the existing obligations under the Mortgage remain in full force and effect and that the parties to the Loan Documents continue to be bound by all the terms and provisions of the Mortgage to the extent required by Freddie Mac's approval. Single Counsel must prepare and review the necessary documents in accordance with Section 6SBL.11 or 6SBL.14, as applicable.

##### **c. Freddie Mac's review of draft documents (06/30/16)**

If required by Freddie Mac in the approval letter for the Transfer of Ownership, then at least 10 Business Days prior to the anticipated closing date for the Transfer of Ownership, the Servicer must submit the documents to Freddie Mac via email for Freddie Mac's review and approval. Otherwise, Single Counsel will be responsible for the review and approval of all draft documents required for the Transfer of Ownership.

##### **d. Execution of documents by Freddie Mac (04/18/24)**

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least five Business Days prior to the date of the Transfer of Ownership, including a statement from Single Counsel that the documents are acceptable for execution by Freddie Mac, unless the approval required that the Servicer submit the draft documents to Freddie Mac for prior review in accordance with Section 41SBL.6(c).

##### **e. Recordation (06/30/16)**

Following closing of the Transfer of Ownership, the Servicer must arrange for any recordation commonly required by private institutional mortgage investors or required by law to ensure the priority of Freddie Mac's lien. The Servicer must complete such recordation at no cost to Freddie Mac.



**f. Remittance of fees (06/30/16)**

Within five Business Days after the Transfer of Ownership, the Servicer must remit the following to Freddie Mac in accordance with the requirements of Freddie Mac's approval of the Transfer of Ownership and Section 41SBL.9:

- The Freddie Mac counsel fee to Freddie Mac or its outside counsel, or to Single Counsel, as applicable
- The balance of any transfer fee due to Freddie Mac

**g. Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/18/2404/22/25)**

If the provisions of this section require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder or clerk delays make it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original." The Servicer must deliver to Freddie Mac a copy of the recorded/filed original showing the required information as soon as the copy becomes available.

Within five Business Days after the Transfer of Ownership, the Servicer must electronically deliver each of the following documents to Freddie Mac, unless delivery of an original is specified:

1. Recorded transfer deed, if applicable, or other documentation evidencing the transfer (certified copy)
2. If an interest in the Property was transferred
  - a. Recorded Memorandum of Loan Modification and Assumption Agreement (certified copy)
  - b. Signed settlement statement (copy)
  - c. Endorsement to the existing title policy or a new title policy stating the name of the new Borrower, reflecting the recordation of the Loan Modification and Assumption Agreement SBL and evidencing that the effective date of the policy is the date of recordation of the Loan Modification and Assumption Agreement SBL and that there are no intervening liens from the date of the original title policy insuring the First Lien until the Transfer of Ownership (copy) (If the proposed new Borrower obtains a new title policy, that title policy must meet all of the requirements of Sections 29SBL.1 through 29SBL.3 in Chapter 29 and in the Title Policy and Endorsement Requirements. Freddie Mac reserves the right to require a new title policy rather than to accept an endorsement to the original title policy.)

**NOTE:** For assumptions involving Property located in Texas, in lieu of a new title policy or down-date endorsement to the original title policy, it is acceptable to provide both of the following:



- A certificate from the title insurance company that issued the existing title policy, dated no earlier than the date of recordation of the Memorandum of Loan Assumption Agreement, listing all matters that affect title to the Property which have been placed of record since the effective date of such title policy.
  - A T-38 Endorsement.
- d. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
3. Signed Guaranty, if applicable (original)
  4. Signed Guaranty Assumption and Modification Agreement, if applicable (original)
  5. Signed Transfer of Interest Reaffirmation Agreement, if applicable (original if Note or Guaranty is modified; otherwise, a copy)
  6. Signed Loan Assumption and Modification Agreement, if applicable (original)
  7. Fully-executed property management agreement (copy)
  8. If the proposed transferee is an entity, filed and recorded UCC financing statements in the name of the proposed transferee in accordance with the requirements of the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase) (certified copy)
  9. If required by Freddie Mac, opinions of proposed transferee's/Guarantor's counsel (If the proposed transferee or any new Guarantor is a corporation, partnership, limited liability company or other legal entity, then if required, the Servicer must deliver to Freddie Mac an opinion of counsel for each such entity. The opinion of counsel must be addressed to Freddie Mac and must contain the provisions and opinions set forth in the Form of Opinion Letters available at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal), as applicable.) (copy)
- NOTE:** The counsel rendering the opinions must be acceptable to Freddie Mac, or to the Servicer if the Servicer is authorized to approve the opinion. The Freddie Mac Approval may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require the Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.
10. UCC along with indications of where filed (certified copy)
  11. Servicer's OFAC/SCP certificate as required by 41SBL.1(d) (copy)
  12. Any other documents required by the Freddie Mac approval letter



The Servicer must not obtain an Assignment of Management Agreement and Subordination of Management Fees for loans purchased under the Freddie Mac Small Balance Loan Program.

**h. Servicer's responsibilities following the Transfer of Ownership (06/30/16)**

Following the closing of the Transfer of Ownership, the Servicer must:

- Deliver to all parties concerned a copy of all documents listed in Section 41SBL.6(g)
- Retain copies in the Mortgage File of the documents listed in Section 41SBL.6(g)
- Provide all notices and disclosures required under applicable law or regulation
- Ensure all data fields in the CRT that are Servicer's responsibility to populate are completed
- Ensure that all insurance policies reflect the Transfer of Ownership
- Continue to service the Mortgage as required in the Purchase and Servicing Documents

**i. Servicer's warranties in connection with a Transfer of Ownership (09/28/18)**

When a Servicer delivers documentation for a Transfer of Ownership, the Servicer will be deemed to have made the warranties in Sections 5.2 through 5.5, 5.10 and 5.14 as of the date the documentation for a Transfer of Ownership is delivered to Freddie Mac.

**41SBL.7 Prohibited Transfers of Ownership - Declination of the application for Lender consent (06/29/18)**

If Freddie Mac declines the application for Transfer of Ownership, the Servicer must send written notice of the decision to the Borrower and the proposed transferee on behalf of Freddie Mac, in a manner that complies with all applicable laws and regulations and the requirements of Section 10.13.

**41SBL.8 Prohibited Transfers of Ownership (04/18/24)**

If the Servicer suspects a prohibited Transfer of Ownership has taken place, the Servicer must act in a timely, efficient, and responsible manner to carry out Freddie Mac's instructions and to fully protect Freddie Mac's interests as follows:

- Immediately notify Freddie Mac via email describing the circumstances of the possible prohibited Transfer of Ownership.
- Immediately contact the Borrower, the prohibited transferees or any party that may have been connected with the transfer to determine whether a prohibited Transfer of Ownership has occurred. If the Servicer confirms a prohibited Transfer of Ownership has in fact occurred, the Servicer must notify Freddie Mac via email *Multifamily Asset Management, Borrower Transactions*.





The email notification specified above should be sent to *Multifamily Asset Management, Borrower Transactions*.

**a. Information to be provided to Freddie Mac (06/29/18)**

The Servicer must electronically submit the following information to Freddie Mac within two Business Days after confirming that the prohibited Transfer of Ownership has occurred:

1. Information detailing the prohibited Transfer of Ownership (The letter must include the Freddie Mac loan number, the name of the Borrower, the property address, the names and addresses of all known parties connected with the prohibited Transfer of Ownership and details of the discovery of the Transfer of Ownership.)
2. A written summary of any conversations between Servicer personnel and the Borrower or any party involved with the Transfer of Ownership
3. Any evidence of the prohibited Transfer of Ownership
4. Any other information requested by Freddie Mac

**b. Property inspection (06/29/18)**

Freddie Mac may request that the Servicer complete a Freddie Mac Annual Inspection Form (AIF) in connection with the prohibited Transfer of Ownership. Within 60 days of a request by Freddie Mac, the Servicer must inspect the Property and submit the AIF in accordance with the submission procedures in Chapter 40. If the Servicer is unable to fully inspect the Property, the Servicer must conduct an exterior inspection and identify any Deferred Maintenance. The Servicer must also conduct a market survey, which, along with past rental and expense information, is to be used by the Servicer to complete the AIF.

**c. Additional Servicer obligations (06/29/18)**

If the Servicer discovers any additional defaults during the investigation of the prohibited Transfer of Ownership, the Servicer must immediately notify Freddie Mac via email.

## **41SBL.9 Fees (04/30/19)**

**a. Review/processing fee (12/14/18)**

For loans allowing Transfers of Ownership subject to lender consent, (whether conditionally permitted or prohibited), the Servicer must charge the Borrower a nonrefundable review/processing fee in the amount specified in the Loan Agreement.

The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac by wire transfer with the application for the Transfer of Ownership. The review/processing fee is in addition to the transfer fee and will not be applied to reduce the transfer fee. The Servicer may not charge the Borrower any additional fees for processing a Transfer of Ownership unless required by Freddie Mac.

**b. Counsel fee (06/30/16)**

At closing of the Transfer of Ownership, the Servicer must collect the counsel fee for Single Counsel, and if specified in the approval letter, the Servicer must collect a nonrefundable counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, which may be either outside or in-house counsel. When Freddie Mac approves the Transfer of Ownership, Freddie Mac will issue a letter setting forth the amount of the counsel fee other than the Single Counsel fee.

The Servicer may also require the Borrower to pay the Servicer's additional legal expenses and costs (for example, costs for searches, filings and title endorsements) relating to the Transfer of Ownership.

**c. Transfer fee (12/14/18)**

For all approved Transfers of Ownership, Freddie Mac charges a nonrefundable transfer fee in the amount set forth in the Loan Agreement.

For Loan Agreements with a revision date of 11-21-17 or earlier, Transfers of Ownership requested pursuant to Section 7.05 of the Loan Agreement that will result in a change of Control (as defined in the Loan Agreement), except for transfers of greater than 50% of non-managing member or limited partner interests, must be characterized as a Transfer of the "Mortgaged Property."

**NOTE:** If the Transfer of Ownership involves a transfer of interests in the Borrower that does not result in a change in control of the Borrower, and if the Transfer of Ownership will not result in the addition of any new Borrower Principal(s), Freddie Mac may consider reducing or waiving the transfer fee upon written request from the Servicer.

**d. Remittance of fees (04/30/19)**

The Servicer must obtain wire transfer instructions from *Multifamily Asset Management, Borrower Transactions*.

The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.



<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:48:56 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 41SBL - SBL Transfers of Ownership GB-12-12-24.docx	
<b>Modified filename:</b> 41SBL - SBL Transfers of Ownership GB-04-22-25.docx	
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<u>Add</u>	8
<u>Delete</u>	7
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
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<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	15

# Multifamily Seller/Service Guide

## Chapter 43

### Specific Servicing Responsibilities



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43.1 Specific Servicing responsibilities; delivery of documents (04/18/24)

This chapter sets forth the Servicer’s responsibilities for transaction-related requirements in Servicing the Mortgage.

• **Delivery of documents and notices to Freddie Mac: electronic delivery**

When this chapter requires electronic delivery of any document, 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*”

CRT can also be used to upload any applicable documentation for the consent request rather than uploading the document directly into DMS.

• **Delivery of original documents to Freddie Mac.** Unless otherwise stated, when this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver a hard copy 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*

• **Servicing responsibilities – insurance**

For non-SBL Mortgages, the following sections of Chapter 31 state the Servicer’s ongoing responsibilities with regard to insurance:

Section 31.8	Flood insurance requirements
Section 31.12	Ordinance and Law coverage
Section 31.22	Verification of required and continuing property and liability insurance coverage
Section 31.24	Ensuring continuous coverage and forced placed insurance

For SBL Mortgages, throughout the term of the SBL Mortgage, the Servicer must evaluate the insurance coverage and limits for each SBL Mortgage and determine, to its satisfaction, that

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adequate property and liability insurance coverage is in place. Servicers must follow the requirements of Chapter 31 to ensure that they comply with their ongoing responsibilities with regard to evaluating and documenting adequate insurance coverage.

**43.2 IRS Form 1098, Mortgage Interest Statement (09/28/12)**

**a. Completing IRS Form 1098 (05/06/05)**

The Servicer must provide IRS Form 1098, Mortgage Interest Statement, to the IRS and the Borrower as required under section 6050H of the Internal Revenue Code. This reporting must be done for each Mortgage owned in whole or in part by Freddie Mac. The Servicer's name, address and federal identification number must be reported for "Recipient." The Borrower's name, address and Social Security number must be reported for "Payer."

**b. Retention of IRS Form 1098 (05/06/05)**

The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with section 6050H of the Internal Revenue Code and make such copies available for examination by Freddie Mac upon request.

**c. Penalties (09/28/12)**

The Servicer is responsible for any penalty levied by the IRS for not reporting timely, nonreporting or reporting of inaccurate information, as applicable, with respect to those statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS.

**43.3 IRS Form 1099-A and 1099-C requirements (10/21/21)**

Whenever Freddie Mac or a third party acquires an interest in a Property in full or partial satisfaction of Freddie Mac's Mortgage or when Freddie Mac or the Servicer knows or has reason to know that a Property has been abandoned, the Servicer must provide Internal Revenue Service (IRS) Form 1099-A, Acquisition or Abandonment of Secured Property. For all cancellations of mortgage debt on or after January 1, 2005 with respect to a Mortgage owned or guaranteed in whole or in part by Freddie Mac, the Servicer must report the cancellation of the Borrower's mortgage debt to the IRS on IRS Form 1099-C, Cancellation of Debt.

The Servicer must file Forms 1099-A and 1099-C with the IRS, the Borrowers and the States (as required). The Servicer must also notify Freddie Mac of its filings with the IRS on Freddie Mac Form 1065M, Report of IRS Form 1099-A and Form 1099-C Filings.

**a. General instructions for filing IRS Forms 1099-A and 1099-C with IRS (10/21/21)**

The Servicer must file all IRS Forms 1099-A and 1099-C with the IRS electronically. Paper filing is not an option as the number of forms that will be filed under Freddie Mac's tax identification number will exceed the maximum allowed for paper filing.

The Servicer must file its forms with the IRS no later than March 31 of the year following the calendar year that the Property is abandoned (Form 1099-A) or the debt is canceled (Form





1099-C). The Servicer must furnish the Borrower with a copy of any Forms 1099-A and 1099-C filed with the IRS on or before January 31 of the calendar year the form is filed with the IRS.

IRS requirements for filing electronically are set forth in IRS Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W2-G. A Servicer may obtain this publication by downloading it from the IRS website at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676). Instructions for completing IRS Forms 1099-A and 1099-C are set forth in Freddie Mac Form 1065M.

The Servicer must insert appropriate header information on the electronic report it files with the IRS in accordance with the record descriptions in the following table:

Field Name	Data Description
<b>Payer "A" Record</b>	
Payer's TIN	For non-securitized loans, use 520904874 and for securitized loans, use the trust's TIN
First Payer Name Line	Federal Home Loan Mortgage Corporation
Payer Shipping Address	8200 Jones Branch Drive
Payer City	McLean
Payer State	VA
Payer ZIP Code	22102
Payer's Telephone Number & Extension	Servicer's telephone number
<b>"B" Record</b>	
Payee's TIN	Borrower's TIN
Payer's Account Number for Payee	The nine-digit Freddie Mac loan number followed by one space and the six-digit Seller/Servicer number
First Payee Name Line	First Borrower's name
Second Payee Name Line	Second Borrower's Name, if appropriate
Payee Mailing Address	Most recent address for Borrower
Payee City	Most recent address for Borrower
Payee State	Most recent address for Borrower
Payee Zip Code	Most recent address for Borrower

The Borrower's TIN is required to complete Forms 1099-A and 1099-C. If the Servicer does not have the Borrower's TIN, the Servicer must make a reasonable effort to obtain the TIN. Such request must clearly notify the Borrower that the IRS requires the Borrower to provide its TIN and that failure to do so subjects the Borrower to a \$50 penalty imposed by the IRS. To request the TIN, the Servicer must use IRS Form W-9, Request for Taxpayer Identification Number and Certification. However, the Borrower is not required to certify the TIN under penalties of perjury.



To correct or void previously submitted IRS Forms 1099-A or 1099-C, the Servicer must refer to IRS requirements to determine how to report either for electronic corrections or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must report corrections or voids to the IRS when an error is discovered.

The Servicer is responsible for completing the IRS Forms 1099-A and 1099-C and for providing the information to the IRS and to the Borrower in a timely and accurate manner. If the IRS penalizes Freddie Mac or assesses any fee for failure to produce such information or because a Servicer failed to file a report, or filed an untimely, incorrect or incomplete report, the Servicer must reimburse Freddie Mac for all costs incurred by Freddie Mac as a result of such penalty or assessment.

The Servicer must maintain copies of all statements and filings that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with the Internal Revenue Code. The Servicer must make such copies available for examination by Freddie Mac upon request until Freddie Mac agrees, in writing, that such records may be destroyed.

The Servicer must comply with the IRS's and the various States' requirements, as amended from time to time, for filing IRS Forms 1099-A and 1099-C. The Servicer is also responsible for providing a copy of any forms filed with the IRS to those States that have filing requirements. The Servicer should consult with its tax advisors, the States or the IRS concerning questions on such requirements.

**b. Instructions for filing IRS Form 1099-A, Acquisition or Abandonment of Secured Property (06/29/17)**

The Servicer must provide Form 1099-A to the IRS and the Borrower as required under Section 6050J of the Internal Revenue Code. This reporting must be done whenever Freddie Mac or a third party acquires an interest in a Property in full or partial satisfaction of Freddie Mac's secured debt or when Freddie Mac or the Servicer knows or has reason to know that a Property has been abandoned.

For the purposes of filing this report, the following instructions apply:

- Freddie Mac acquires an interest in the Property either:
  1. On the date of the foreclosure sale or the date the Borrower's right of redemption, if any, expires, whichever occurs later, or
  2. At the time a deed-in-lieu of foreclosure is recorded.
- A third party acquires an interest at the time of the foreclosure sale.
- Abandonment has occurred when Freddie Mac or the Servicer has reason to know from all the facts and circumstances concerning the status of the Property that the Borrower intended to and has permanently discarded the Property from use. If a Servicer determines that an abandonment has occurred and expects to commence foreclosure proceedings within three months, the reporting obligation generally arises at the end of the three-month period.

The following events trigger the reporting requirement:



- **Freddie Mac acquisition** – Freddie Mac acquires the Property at a foreclosure sale or by deed-in-lieu of foreclosure
- **Third party sale** – a third party acquires the Property at a foreclosure sale
- **HUD, RHS or VA acquisition** – the Property was acquired by HUD, RHS, or the VA
- **Abandonment** – the Property has been abandoned, three months have passed and foreclosure proceedings have not begun

A completed IRS Form 1099-A must be filed electronically with the IRS on or before March 31 of the year following the calendar year in which the reportable event occurred. A copy of the Form 1099-A must be mailed to each Borrower on or before January 31 of the same calendar year as the Form 1099-A was filed with the IRS.

See Section 43.3(c) in the event that both IRS Forms 1099-A and 1099-C may be filed as the result of a cancellation of debt in connection with a foreclosure or similar action in the same year for the same Borrower.

**c. Instructions for filing IRS Form 1099-C, Cancellation of Debt (06/29/17)**

The Servicer must report cancellations of Borrower's Mortgage debt on Internal Revenue Service (IRS) Form 1099-C as required under Section 6050P of the Internal Revenue Code for all cancellations of mortgage debt of \$600 or more occurring on or after January 1, 2005, with respect to Mortgages owned or guaranteed in whole or in part by Freddie Mac. Form 1099-C must be filed regardless of whether the Borrower must report the cancellation of debt as income.

If in the same calendar year, the Servicer cancels a debt in connection with a foreclosure or abandonment of the Property, it is not necessary to file both Forms 1099-A and 1099-C for the same Borrower. The Servicer will meet the filing requirement for Form 1099-A by completing boxes 4, 5, and 7 on Form 1099-C. However, the Servicer may complete both Forms 1099-A and 1099-C separately; in that case, the Servicer should not complete boxes 4, 5, and 7 on Form 1099-C. See Form 1065M for filing instructions for IRS Forms 1099-A and 1099-C.

Servicers are not required to report the following on IRS Form 1099-C:

- **Interest** - Servicers do not need to include interest as part of the canceled debt in box 2. However, if interest is reported as part of the canceled debt in box 2, show the interest separately in box 3.
- **Nonprincipal amounts** - Nonprincipal amounts include penalties, fines, fees and administrative costs.
- **Release of a Borrower** - IRS Form 1099-C does not need to be filed if one of the Borrowers on a Mortgage is released, as long as the remaining Borrowers remain liable for the full amount of the unpaid Mortgage.
- **Guarantor or surety** - A guarantor is not a debtor for purposes of Form 1099-C, even if demand for payment is made to the guarantor.



For Mortgages originated after 1994 that involve Borrowers who are jointly and severally liable for the Mortgage, the Servicer must report the entire amount of the canceled debt on each Borrower's Form 1099-C. Multiple Borrowers are jointly and severally liable for a debt if there is no clear and convincing evidence to the contrary. If the Servicer can show that joint and several liability does not exist, the Servicer must file Form 1099-C for each Borrower for whom the Servicer canceled a debt of \$600 or more.

For Mortgages originated before 1995, the Servicer must file Form 1099-C only for the primary (or first-named) Borrower. If the Servicer knows or has reason to know that the multiple Borrowers were husband and wife who were living at the same address when the debt was incurred, and the Servicer has no information that these circumstances have changed, the Servicer may file only one Form 1099-C.

For purposes of Form 1099-C, the following instructions apply:

- A debt may include all amounts owed, including stated principal, stated interest, fees, penalties, administrative costs and fines. However, only stated principal is required to be reported. If accrued interest is included in the amount of the stated debt in box 2, then it must be reported in box 3.
- A debt is canceled on the date an identifiable event occurs. An identifiable event is:
  1. Discharge in bankruptcy under Title 11 of the U.S. Code. The Servicer must report the debt canceled in bankruptcy for the later of the year in which the amount of canceled debt first can be determined, or the year in which the debt is canceled in bankruptcy.
  2. A cancellation or extinguishment making the debt unenforceable in a receivership, foreclosure or similar proceeding.
  3. A cancellation or extinguishment when the statute of limitations for collecting the debt expires, or when the statutory period for filing a claim or beginning a deficiency judgement proceeding expires. Expiration of the statute of limitations is an identifiable event only when the Borrower's affirmative statute of limitations defense is upheld in a final judgement or decision of a court and the appeal period has expired.
  4. A cancellation or extinguishment when deficiency rights were not preserved during the foreclosure process.
  5. A cancellation or extinguishment when Freddie Mac makes the determination not to pursue a deficiency action post-foreclosure and notifies the Servicer of such determination.
  6. A cancellation or extinguishment when Freddie Mac elects foreclosure remedies that by law end or bar the creditor's right to collect the debt. This event applies if collection is barred by local law after a "power of sale" in the Mortgage or deed of trust is exercised.
  7. A cancellation or extinguishment due to a probate or similar proceeding.
  8. A discharge of indebtedness under an agreement with the debtor to cancel the debt at less than full consideration (e.g. a short sale). Freddie Mac will advise the Servicer if

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such an agreement is reached with a Borrower.

- 9. A discharge of indebtedness because of a decision or a defined policy of the creditor to discontinue collection activity and cancel the debt. A creditor's defined policy can be in writing or an established business practice. A practice to stop collection activity and abandon a debt when a particular nonpayment period expires is a defined policy.

Facts and circumstances indicating that a debt was not canceled include the existence of a lien relating to the debt (up to the value of the security) or the sale or packaging for sale of the debt by the creditor.

In the event of a foreclosure sale where deficiency rights were preserved, the Servicer must not initially file a Form 1099-C. Freddie Mac will determine whether to pursue collection of the deficiency of that Mortgage. If Freddie Mac makes a determination not to pursue collection of the deficiency, Freddie Mac will notify the Servicer and the Servicer must then file the IRS Form 1099-C.

Each Servicer must file its reports with the IRS not later than March 31 of the year following the calendar year in which the cancellation of debt occurs.

**d. Instructions for filing Freddie Mac Form 1065M, Report of IRS Form 1099-A and Form 1099-C Filings (04/15/21)**

The Servicer must notify Freddie Mac that the Servicer reported to the IRS electronically. When the Form 1099-A or Form 1099-C is sent to the IRS, the Servicer must submit Form 1065M to Freddie Mac. The Servicer should not send Freddie Mac copies of the Form 1099-A or Form 1099-C that it filed with the IRS.

When corrections or voids are submitted to the IRS, a copy of Form 1065M must be submitted to Freddie Mac. Form 1065M should indicate the number of corrected or voided IRS Forms 1099-A and 1099-C that were submitted to the IRS.

Form 1065M should be mailed to Freddie Mac at the address shown on the form.

**43.4 IRS Form 1099-MISC, Miscellaneous Income, and IRS Form 1099-NEC, Nonemployee Compensation (08/18/22)**

Servicers must not prepare or file IRS Form 1099-MISC, Miscellaneous Income, or IRS Form 1099-NEC, Nonemployee Compensation, using Freddie Mac's name or Taxpayer Identification Number (TIN). The Servicer should consult with its tax advisor to review its reporting obligations with regard to the filing of Forms 1099-MISC and 1099-NEC.

**43.5 Continuation of Uniform Commercial Code (UCC) financing statements; termination (06/27/19)**

**a. UCC continuation statements (12/14/18)**

During the term of the Mortgage, the Servicer must maintain the continuity of Freddie Mac's perfected security interest in personal property relating to the Property (including chattel and fixtures). The Servicer must monitor the expiration dates of financing statements filed and



recorded with respect to such personal property, and must ensure that all necessary continuation statements (including so-called "in-lieu" filings, if applicable) are filed in a timely manner and recorded with the proper office(s) in accordance with applicable law, prior to the expiration date. Promptly after filing or recordation, the Servicer must electronically deliver evidence of such continuation statements to Freddie Mac.

**b. Termination statements (05/06/05)**

Following payment in full of a Mortgage, the Servicer must promptly file and record termination statements evidencing the release of Freddie Mac's security interest in the personal property located on the Property. The Servicer must file such termination statements, at the Servicer's expense, in each office in which a financing statement has been filed or recorded.

**c. Freddie Mac signature (05/31/12)**

In instances where the Servicer determines that Freddie Mac's signature is required by local law in order for a continuation or termination statement to be accepted for filing or recordation, or to be effective, the Servicer must forward the completed continuation or termination statements to Freddie Mac *Multifamily Asset Management, Borrower Transactions* for signature by Freddie Mac. Freddie Mac will return the signed forms to the Servicer, and the Servicer must then file and record them at its own expense. If Freddie Mac has provided written authorization to the Servicer to execute continuation or termination statements on behalf of Freddie Mac, it is unnecessary for the Servicer to send the statements to Freddie Mac for signature.

**d. Copies to Freddie Mac (09/28/12)**

Promptly following recording or filing, the Servicer must electronically deliver to Freddie Mac a copy of the continuation or termination statement showing all recording or filing information (recorder's stamp, book and page numbers, or instrument number).

**e. Limited power of attorney (06/27/19)**

A Servicer may elect to request a limited power of attorney from Freddie Mac that enables the Servicer to execute continuation and termination statements on behalf of Freddie Mac. The Servicer must request this limited power of attorney in writing from Freddie Mac *Multifamily Asset Management, Borrower Transactions*.

This limited power of attorney is not available to a Servicer that is not a member of the Optigo Lender network.

**43.6 Unauthorized transfers (04/18/24)**

The Servicer must be alert to unauthorized Transfers of Ownership. Section 41.8 or Section 41SBL.8, if applicable, describes what the Servicer must do if it learns of an unauthorized Transfer of Ownership. In order to determine whether and under what circumstances a Borrower may carry out a Transfer of Ownership, the Servicer must first determine what actions the Loan Documents permit. Chapter 41 fully describes the requirements with regard to Transfers of Ownership.



**43.7 Late charges; default interest (04/18/24)**

**a. Mortgages originated on or after July 8, 1992 (06/30/16)**

For Mortgages originated on or after July 8, 1992, the Servicer must remit collected late charges and default interest to Freddie Mac as described below:

- For fixed-rate Mortgages, other than TAH bond credit enhancement Mortgages, the Servicer may retain all late charges collected by the Servicer within 30 days after the Due Date of the related installment. The Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of any late charges collected by the Servicer more than 30 days after the Due Date of the related installment. Freddie Mac reserves the right to waive any late charge, in its discretion.
- For ARMs, the Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of all late charges collected by the Servicer. Freddie Mac reserves the right to waive any late charge, in its discretion.
- For SBL Hybrid ARM Mortgages:
  - During the period in which the fixed interest rate is in effect, the Servicer may retain all late charges collected by the Servicer within 30 days after the Due Date of the related installment. The Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of any late charges collected by the Servicer more than 30 days after the Due Date of the related installment.
  - During the period in which the adjustable interest rate is in effect, the Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of all late charges collected by the Servicer.
  - Freddie Mac reserves the right to waive any late charge, in its discretion.
- The Servicer must remit all collected default interest to Freddie Mac *Multifamily Loan Accounting*.

**b. Mortgages originated prior to July 8, 1992 (08/30/13)**

For Mortgages, other than TAH bond credit enhancement Mortgages, originated prior to July 8, 1992, the Servicer may retain late charges and default interest as additional Servicing compensation. In imposing late charges and/or default interest, the Servicer:

- May collect increased interest (default interest) during Delinquencies or other defaults only to the extent expressly provided for in the Note
- May not impose any late charge for any monthly installment received within 10 days after the payment is due (If the grace period ends on a weekend or holiday, it is extended to the next Business Day.)
- May not impose a late charge in an amount more than five percent of the monthly principal and interest installment that is late (or any lesser amount specified in the Note)



**c. Collection of late charges and default interest (04/30/13)**

To the extent permitted by applicable law, the Servicer must use its best efforts to collect unpaid late charges and default interest. For example, if allowable under local law, the Servicer must require the Borrower to pay such amounts prior to release of the Mortgage.

For all Mortgages, regardless of the date of origination or any provision to the contrary in the Loan Documents, the Servicer may not use any of the following methods to collect due and unpaid late charges or default interest:

- Charging the Borrower's Reserves
- Deducting from a regular payment of the monthly installment
- Deducting from a payment made to partially or fully cure a Delinquency
- Adding to the outstanding principal balance of the Mortgage
- Bringing a legal collection action against the Borrower, unless:
  - The Servicer projects that the expected recovery will exceed the cost of the action, and
  - The Servicer obtains the prior written consent of Freddie Mac for such action

**d. Waiver of the collection of a late charge (04/18/24)**

For all fixed-rate Mortgages, the Servicer has the authority to waive, without the consent of Freddie Mac, the collection of a late charge for a payment received less than 30 days after the scheduled payment date. The Servicer may grant this waiver up to three times during the life of a Mortgage, provided that:

- The Servicer determines that the Borrower has a justifiable reason for the request,
- The late payment is not due to cash flow problems, and
- The Mortgage:
  - Has not been late within the last 12 months,
  - Has a Risk Rating of six or less,
  - Is not in default,
  - Has not been securitized, and
  - Is not credit-enhanced by a third party.

If the late payment is due to cash flow problems, the Seller/Servicer may not waive the late charge and must contact Freddie Mac *Multifamily Asset Management, Borrower Transactions*





or, for Structured Transactions, *Multifamily Asset Management, Structured Transactions*, to approve this request.

The Servicer may only agree to a third waiver request if the Borrower agrees to, or in the case of a fixed-rate SBL Mortgage, is already required to, auto-debit the required payment for a minimum of the next 12 months.

The waiver must be approved by a supervisor or a higher-level manager of the Servicer and the Servicer must notify Freddie Mac of any actions taken under the delegated approval within 30 days of the effective date of the approval by electronically delivering to Freddie Mac the General Servicing Request, along with any supporting documentation.

The Servicer must document the waiver and retain evidence of the waiver in the Mortgage File. The Servicer may not waive collection of any late charge payable under the Note for an ARM, an SBL Hybrid ARM, or a TAH bond credit enhancement Mortgage.

**e. Request for waiver (04/18/24)**

After a Servicer has granted three waivers of the collection of late charges per Section 43.7(d), or if Section 43.7(d) otherwise does not permit the Servicer to approve a waiver request, if the Servicer determines that a waiver is necessary or desirable, the Servicer must take the following actions:

1. Enter the waiver request into CRT. The CRT record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver the General Servicing Request form, including any necessary supporting documentation.

**43.8 Casualty losses and natural disaster losses (09/14/23)**

**a. Form 1140, Hazard Loss Notification (09/14/23)**

**1. Form 1140, Part I – Notification**

The provisions of Section 43.8(a)(1) apply to a Mortgage secured by a Property that suffers a loss or damage and meets any of the following conditions:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event
- The Mortgage is an SBL Mortgage and the estimated loss is greater than \$25,000
- The Mortgage is a non-SBL Mortgage and the estimated loss is greater than \$50,000

As soon as possible, but in no event more than 14 calendar days after a Servicer learns that a loss or damage has occurred with respect to a Property, regardless of whether the Borrower plans to submit an insurance claim, the Servicer must:



- Complete Form 1140, Part I - Notification
- Upload the completed form to the Document Management System (DMS), using the "File Submission" link to "Submit to Hazard Loss"

If the restoration is already 100 percent complete, the Servicer must upload a fully completed Form 1140, Part I – Notification and either a fully completed Part I – Follow Up or Part II – Restoration Plan for Approval (depending on whether Freddie Mac approval is required under Section 43.8(a)(3)) to DMS and use the "File Submission" link to "Submit to Hazard Loss".

**2. Form 1140, Part I – Follow Up**

If none of the Freddie Mac approval conditions listed in Section 43.8(a)(3) exist, then within 90 calendar days after the Servicer submitted Part I – Notification, or earlier upon Freddie Mac request, the Servicer must upload a fully completed Part I – Follow Up to the corresponding Property Reporting System ("PRS") entry.

**3. Form 1140, Part II – Restoration Plan for Approval:**

If none of the Freddie Mac approval conditions listed below exist, then the Servicer is not required to complete Part II of Form 1140.

If one or more of the following conditions exists, Freddie Mac approval of the Borrower's restoration plans is required:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event
- The percentage of units that sustained any damage is 10 percent or more of the Property's total units
- The estimated loss amount is greater than \$500,000 or 10 percent of the outstanding UPB
- For non-SBL Mortgages, the estimated loss exceeds the Borrower Proof of Loss Maximum (as defined in the Loan Agreement)
- The Mortgage has not been securitized, has a Risk Rating greater than six and the estimated loss is greater than \$50,000
- The Borrower's insurance coverage is insufficient to cover the loss to the Property or loss of rents/business income and the estimated loss amount is greater than \$50,000

If Freddie Mac approval is required for the Borrower's restoration plans, the Servicer must complete Form 1140, Part II – Restoration Plan for Approval within 90 calendar days after the Servicer submitted Part I – Notification, and provide it to Freddie Mac as follows:



- If the Servicer has not previously submitted Form 1140, Part I – Notification, the Servicer must upload the completed Part I – Notification and Part II to DMS and use the “File Submission” link to “Submit to Hazard Loss”
- If the Servicer has previously submitted Form 1140, Part I – Notification, the Servicer must upload Part II – Restoration Plan for Approval directly to the corresponding PRS entry

Freddie Mac will review the Servicer's recommendations and provide its approval or directions for alternate action. Under most circumstances, Freddie Mac will delegate responsibility for managing and approving disbursement requests to the Servicer. If delegation of disbursement requests is not approved, the Servicer must submit Form 1140-DR to the corresponding PRS entry.

If the Servicer is requesting approval to permit the Borrower to pay down the Mortgage in lieu of restoring all or a portion of the damaged Property, the Servicer must make a Consent Request Tracker (CRT) entry and submit corresponding consent request approval documentation to Freddie Mac.

**b. Reserved (03/30/12)**

**c. Use of insurance proceeds (06/30/16)**

1. The Servicer must require the Borrower to obtain either a "repair or replacement" settlement to use the insurance proceeds to rebuild/repair the damaged Property or to obtain an "actual cash value" settlement to pay down the principal balance of the Mortgage; the type of settlement required for the Mortgage will be determined in Freddie Mac's discretion in accordance with the applicable terms of the Loan Documents, and additionally for SBL Mortgages, in accordance with Sections 43.8(c)(3) and 43.8(c)(4). If, in its discretion, Freddie Mac requires that the Borrower obtain an actual cash value settlement to use the proceeds to pay down the principal balance of the Mortgage, the Borrower may request that the Servicer and Freddie Mac review current income and expense information to assess the economic viability of the Property and reconsider the decision regarding the use of the proceeds.
2. Unless the Loan Documents provide otherwise, if the Borrower uses the proceeds to pay down the principal balance of the Mortgage, no prepayment premium will be assessed with respect to that payment. If 20 percent or more of a building or Property is damaged or destroyed and Freddie Mac agrees to allow the use of the proceeds to repair or rebuild the Property, Freddie Mac may, in its discretion, require that the Servicer hold the proceeds in escrow and disburse them as work is completed in a workmanlike manner, bills are presented and the work is inspected.
3. For SBL Mortgages, if none of the conditions set forth in Section 43.8(c)(4) exist, then following a casualty that results in damage to the Property for which the cost of repairs will be less than \$100,000, the Servicer may authorize the Borrower to make proof of loss and adjust and compromise the claim without the prior consent of Freddie Mac, and the Servicer must hold the applicable insurance proceeds to be used to reimburse the Borrower for the cost of restoration of the Property and will not apply such proceeds to the payment of the principal amount of the SBL Mortgage.



4. For SBL Mortgages, Freddie Mac may require the Servicer to apply insurance proceeds to pay down the principal balance of the SBL Mortgage if Freddie Mac determines, in Freddie Mac's discretion, that any of the following conditions are exist:
- An event of default (or any event, which, with the giving of notice or the passage of time, or both, would constitute an event of default) has occurred and is continuing.
  - There will not be sufficient funds from insurance proceeds, anticipated contributions of the Borrower of its own funds or other sources acceptable to Freddie Mac to complete the restoration.
  - The rental income from the Property after completion of the restoration will not be sufficient to meet all operating costs and other expenses, deposits to reserve funds required by the Loan Agreement and loan repayment obligations relating to the Property.
  - The restoration will be completed less than (i) six months prior to the maturity date of the loan if re-leasing will be completed prior to the maturity date, or (ii) 12 months prior to the maturity date if re-leasing will not be completed prior to the maturity date.
  - The restoration will not be completed within one year after the date of the loss or casualty.
  - The casualty involved an actual or constructive loss of more than 30 percent of the fair market value of the Property, and rendered untenable more than 30 percent of the residential units of the Property.
  - After completion of the restoration the fair market value of the Property is expected to be less than the fair market value of the Property immediately prior to such casualty (assuming the affected portion of the Property is re-let within a reasonable period after the date of such casualty).
  - Leases covering less than 35 percent of the residential units of the Property will remain in full force and effect during and after the completion of restoration.

**d. Servicer responsibilities following a casualty loss (09/14/23)**

Upon learning of loss or damage to the Property, the Servicer must:

1. Verify the extent of the loss or damage to the Property, including any impact on the habitability of units, health and safety of residents, condition of common areas, and the expected effect on the occupancy and financial strength of the Property.
2. Complete and submit Parts I and II of the Form 1140, Hazard Notification and Plan, in accordance with Sections 43.8(a) and (b) above.
3. Ensure that the Borrower has taken all necessary and timely steps to:
  - a. Secure the Property



- b. Give adequate notice of the loss to the insurance carriers
  - c. Process the claim
  - d. If applicable, file for any disaster relief aid and notify Freddie Mac of the filing
4. Ensure that all insurance proceeds are delivered to the Servicer in the form of checks or drafts made jointly payable to Freddie Mac in care of the Servicer and to the Borrower. Freddie Mac hereby grants the Servicer authority to endorse such checks or drafts on Freddie Mac's behalf.
5. Ensure the judicious disbursements of insurance proceeds. The Servicer may only disburse insurance proceeds to a Borrower or release the proceeds from escrow upon the Servicer's verification that the work the funds will pay for has been satisfactorily completed.

If Freddie Mac approval of the Servicer's recommendation is required, the Servicer may not make any disbursements of insurance proceeds to the Borrower until Freddie Mac has given its written approval to the Servicer regarding the handling of the loss or damage.

- Under most circumstances, the Servicer will be responsible for managing and approving disbursement requests. However, if Freddie Mac approval of disbursement requests is required, the Servicer must complete and submit to Freddie Mac Form 1140-DR, Hazard Loss Disbursement Request, for each draw request. The Servicer may not make any disbursements of insurance proceeds to the Borrower until Freddie Mac has received this form and has provided Freddie Mac's written approval to the Servicer of the Servicer's recommendations regarding the disbursement of insurance proceeds. For an SBL Mortgage, the Servicer's recommendation must include a confirmation that none of the conditions set forth in Section 43.8(c)(4) exist. The first Form 1140-DR, Hazard Loss Disbursement Request, may be submitted with Part II – Restoration Plan for Approval of the Form 1140, Hazard Loss Notification and Plan, if the situation requires simultaneous review of the hazard loss recommendations and the first Disbursement Request.
  - If Freddie Mac approval of disbursements is not required, the Servicer is not required to complete or submit the Form 1140-DR.
  - The Servicer is responsible for monitoring the repair or restoration of the Property, including, when appropriate or in Freddie Mac's discretion, the employment of a qualified inspector or physical engineer to inspect the repairs or restoration.
6. Protect the priority of the Mortgage by obtaining, when the Servicer deems it necessary in the exercise of its prudent judgment or when required by Freddie Mac, waivers or releases of liens from all contractors and suppliers supplying labor or materials for the repairs and restorations.
7. Record in the servicing loss file details of the loss or damage, the repairs or restoration to the Property, and disposition of insurance proceeds. Include any inspection reports (with photographs) completed by Servicer or third parties of the initial damage, progress inspections and completion inspection.



**e. Freddie Mac Annual Inspection Form (AIF) (06/28/13)**

In any subsequent AIF the Servicer must report on the status of the loss until it is fully resolved.

**f. Notice of completion of restoration of the Property (09/14/23)**

The Servicer must use its prudent judgment in determining whether all loss or damage has been resolved or repaired, as applicable. The Servicer may take the following actions, as appropriate, to ensure full remediation has taken place:

- Employing a qualified inspector or physical engineer to inspect the repairs or restoration
- Obtaining waivers or releases of liens from all contractors and suppliers supplying labor or materials for the repairs and restorations
- Requiring the Borrower to submit the Freddie Mac Multifamily Completion of Restoration Certificate when Freddie Mac restoration plan for approval is required

Within 30 days after the Servicer determines and documents that full remediation has occurred, the Servicer must provide written notification to Freddie Mac *Multifamily Asset Management, Surveillance Compliance* via email at [MF\\_Loan\\_Compliance@freddiemac.com](mailto:MF_Loan_Compliance@freddiemac.com) or upload to the corresponding Loan Item Tracking (“LIT”) in the Property Reporting System (“PRS”). If the Servicer reports closure of the item in any other report to *Multifamily Asset Management*, the Servicer is held to the same standard regarding ensuring full remediation of the loss or damage.

**g. Servicer responsibility following a natural disaster loss (09/14/23)**

When a Servicer learns of a natural disaster (hurricane, earthquake, flood, tornado, etc.) via media or otherwise, the Servicer must take the following steps:

- Review its Freddie Mac Servicing portfolio and identify Properties potentially impacted by a Federal Emergency Management Agency (FEMA) Major Disaster declaration authorizing Individual Assistance
- Contact the Borrower for each potentially impacted Property to determine if the Property suffered any damage due to a natural disaster and if so, the extent of such damage

Note that FEMA Major Disaster areas authorized for Individual Assistance are designated by county and a Property may not be specifically located within the area of the county actually impacted by a disaster (wildfires for example).

Therefore, the Servicer should:

- Perform additional due diligence and assess and monitor local information available to determine if damage could have occurred at a Property; and
- Contact a Borrower in instances where the Servicer is unable to determine if a Property lies within an area of a FEMA designated county actually impacted by a natural disaster



- Promptly send an email to *Multifamily Asset Management, Surveillance Compliance* via email at [MF\\_Loan\\_Compliance@freddiemac.com](mailto:MF_Loan_Compliance@freddiemac.com) listing the potentially impacted Properties and initial details as to whether damage occurred

If the natural disaster has resulted in losses or damage to a Property the Servicer must:

1. Verify the extent of the losses or damages
2. Secure any abandoned Property
3. Assist the affected Borrower in filing for any disaster relief aid available
4. Notify Freddie Mac *Multifamily Asset Management, Surveillance Compliance* via email at [MF\\_Loan\\_Compliance@freddiemac.com](mailto:MF_Loan_Compliance@freddiemac.com) to determine appropriate follow-up actions and instructions regarding repairs

**43.9 Reserved (06/30/16)**

**43.10 Easements (04/18/24)**

This Section 43.10 does not apply to Infrastructure Agreement Servicing Requests, as described in Section 43.32.

**a. Easements the Servicer is permitted to approve (04/18/24)**

1. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve the types of easements described in Section 43.10(a)(3) if all the following conditions are satisfied:
  - The Servicer determines, in its discretion, that the easement will not materially affect the operation or value of the Property or Freddie Mac's interest in the Property.
  - The Borrower is not requesting that Freddie Mac subordinate the lien of its Mortgage to the easement. For any such Borrower request, see Section 43.10(e).
  - The Servicer has not received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization.
  - The Mortgage does not back a Freddie Mac Multifamily Participation Certificate, a Freddie Mac Bond Credit Enhancement transaction or a Freddie Mac tax-exempt or taxable Multifamily bond securitization.
  - There are no investors who have provided credit enhancements for the Mortgage other than a Seller/Servicer, the Borrower or an Affiliate of the Borrower.
2. The Servicer must enter the Borrower request into the Consent Request Tracker as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is not required for Mortgages owned by Freddie Mac.



3. For any Mortgage which meets the requirements of Section 43.10(a)(1), the Servicer may approve the following types of easements:
- A. Easements for local residential distribution of gas, water, electricity or other public utilities that do not have any adverse effect on the value of the Property.
  - B. Infrastructure Agreements constituting easements that Servicer is permitted to approve under Section 43.32.
  - C. Easements for the benefit of a third party (other than for local residential distribution of gas, water, electricity or other public utility) if all the following conditions are satisfied:
    - i. The Servicer has determined that there is no material adverse impact on the Property's value, operation, access, marketability, or on the income production of units or other income-producing improvements.
    - ii. The Property secures a Mortgage having a UPB of \$30 million or less as of the date of the Borrower's easement application with the Servicer.
    - iii. The Property secures a Mortgage with a Risk Rating of six or less.
    - iv. The Mortgage is current, with no evidence of default.
    - v. Compensation for the easement is less than the lesser of 0.5 percent of the UPB or \$100,000.
    - vi. The proposed easement is compatible with the use of the Property and would be generally acceptable to prudent lenders.
    - vii. A supervisor or higher-level manager on the Servicer's staff has approved the easement using the Easement Request.

**b. Documentation for an easement not requiring Freddie Mac approval (04/18/24)**

Within 30 days after the grant of an easement not requiring Freddie Mac approval, the Servicer must:

- Notify Freddie Mac of any actions taken under the delegated approval within 30 days of the effective date of the approval by electronically delivering the Easement Request.
- Electronically deliver to Freddie Mac a copy of the Borrower request and the executed, recorded easement agreement. If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must electronically deliver a copy showing the required information as soon as such information is available.

For any easement that does not require Freddie Mac approval, the Servicer may charge the Borrower a nonrefundable review fee for an application in the amount specified in the Loan





Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer may retain the entire fee, if any.

**c. Recordation of an easement not requiring Freddie Mac approval (09/22/17)**

For an easement not requiring Freddie Mac approval, Freddie Mac will provide each Servicer with a written limited power of attorney. The limited power of attorney will delegate to each Servicer the authority to sign certain documents on behalf of Freddie Mac for the limited purpose of approving an easement of one of the types set forth in Section 43.10(a). Any documents necessary to evidence the approval of such an easement must be executed by the Servicer as "[Name of Servicer], as Attorney-in-Fact for Freddie Mac."

The Servicer must maintain a record of each jurisdiction in which the limited power of attorney is recorded. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's limited power of attorney has been recorded. The Servicer must comply with all local recording requirements and is solely responsible for paying any recording fee assessed by the applicable authority.

**d. File retention requirements for an easement not requiring Freddie Mac approval (09/22/17)**

The Servicer must maintain a file that contains the following information for a delegated easement approval:

- Borrower's original request for approval and required information
- Evidence of the Servicer's analysis and approval of the request
- Copies of the Servicer's notification of the approval to the Borrower and Freddie Mac
- Copies of the executed easement agreement and any other document signed on Freddie Mac's behalf

The Servicer must maintain the file in accordance with the requirements set forth in Section 34.4.

**e. Procedure for an easement requiring Freddie Mac approval (04/18/24)**

For any Mortgage for which the Servicer is not delegated approval authority under Section 43.10(a), the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1 - 8 below, electronically deliver those items to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

For all easements that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer must remit to Freddie Mac 50 percent of the review fee, if any, and may retain the remaining 50 percent. The Servicer may



not charge the Borrower any additional fees for processing an application for approval of an easement.

At the time of delivery of the request to Freddie Mac, the Servicer must remit to Freddie Mac the Freddie Mac portion of any review fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or *Multifamily Asset Management, Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number

The Servicer must deliver each of the following documents:

1. A completed Easement Request, available via [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset), which must include the Servicer's analysis along with the Servicer's recommendation for action
2. Form 1125, Borrower Application for Partial Release or Easement, completed and signed by the Borrower and any Guarantor(s)
3. Copy of the proposed easement agreement (including a complete legal description of the land that will be subject to the easement) and any proposed agreement to subordinate the Mortgage to the easement
4. Survey that shows the land subject to the easement (including a complete legal description) and any affected improvements and clearly delineates the location of the easement (If the easement is a blanket easement, a survey is not required. If the easement can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Seller may use that copy to delineate the easement.)
5. Title update report, if requested by Freddie Mac
6. If the Servicer determines that there may be legal issues raised by the easement, a preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 or Section 6SBL.7, if applicable. If the Servicer does not submit a PLIM, and Freddie Mac determines that the transaction raises legal issues, Freddie Mac reserves the right to request that the Servicer deliver a PLIM
7. After the Servicer receives notification from Freddie Mac that a Mortgage has been designated for inclusion in a Securitization, if requested by Freddie Mac, the Servicer must deliver an opinion of counsel addressed to Freddie Mac and obtained at no expense to Freddie Mac which meets each of the following requirements:
  - The counsel providing the opinion is acceptable to Freddie Mac
  - The opinion is in form and substance satisfactory to Freddie Mac in its sole and absolute discretion



- The opinion confirms each of the following:
  - The grant of such easement has been effected in accordance with the requirements of Treasury Regulation Section 1.860G-2. (a)(8) (as such regulation may be modified, amended or replaced from time to time)
  - If the grant of easement occurs following the Securitization, then the qualification and status of the REMIC trust as a REMIC will not be adversely affected or impaired as a result of such grant
  - If the grant of easement occurs following the Securitization, then the REMIC trust will not incur a tax under Section 860G(d) of the Tax Code as a result of such grant

8. Any other information requested by Freddie Mac

Freddie Mac will determine whether to approve the proposed easement and subordination, if applicable, and will advise the Servicer, in writing, of that decision. The approval letter will set forth any further requirements, including payment of counsel fees.

If Freddie Mac approves the request, the Servicer must submit to Freddie Mac an execution-ready easement agreement, the subordination agreement (if applicable) and any other document that must be executed by the lender. Before submitting documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to ensure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the easement, lease or subordination approved by Freddie Mac, including the legal description supported by the survey

**f. Recordation of an easement requiring Freddie Mac approval (09/22/17)**

The Servicer must comply with all local recording requirements and arrange for recordation of the easement agreement, the subordination agreement (if applicable), and any other applicable document at no cost to Freddie Mac.

**g. Required documentation for an easement requiring Freddie Mac approval (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy of:

- The easement agreement and subordination agreement (if applicable), showing signatures and recording information. If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must deliver a copy showing the required information as soon as such information is available.
- Any other document required by the Freddie Mac approval letter



**43.11 Request for partial release of Property (04/18/24)**

**a. Partial releases the Servicer is permitted to approve (06/30/16)**

1. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve certain partial releases 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. For any Mortgage which meets the requirements of Section 43.11(a)(1), the Servicer may approve only partial releases that meet the following criteria:
  - a. The request for the partial release is not for improved collateral.
  - b. The request for the partial release does not relate to a TAH Bond credit enhancement transaction with compensation for the partial release.
  - c. The partial release is in favor of a municipality or government agency.
  - d. The partial release will have no adverse impact on the Property value. (The LTV Ratio after the partial release is not greater than before the partial release.)
  - e. The Property secures a Mortgage that has a Risk Rating of six or less, is not in default, is not credit-enhanced by a third party and is not a credit-enhanced bond.
  - f. Compensation for the partial release is less than the lesser of 0.5 percent of the UPB or \$100,000.
  - g. The Servicer has received and reviewed either:
    - A zoning report, or
    - A Preliminary Legal Issues Memorandum meeting the requirements of Section 6.4 or Section 6SBL.7, as applicable, confirming that the Property will remain in compliance with all zoning regulations after the partial release.
  - h. If the Servicer determines that legal issues may be raised by the partial release, the Servicer has received and reviewed a preliminary legal issues memorandum meeting the requirements of Section 6.4 or Section 6SBL.7, as applicable.



- i. A supervisor or higher-level manager on the Servicer's staff approved the partial release using the Property Partial Release Request.
- j. There are no additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower).

For any partial release that does not require Freddie Mac approval, the Servicer may charge the Borrower a nonrefundable review/processing fee in the amount specified in the Loan Documents, or, if not specified, in the amount set forth in Exhibit 10. The Servicer may retain the entire fee.

**b. Documentation required following Servicer's delegated approval of a partial release (09/18/14)**

Following a delegated approval of a partial release, the Servicer must electronically deliver to Freddie Mac, using the Property Partial Release Request, each of the following:

- A copy of the Servicer's approval
- Survey that shows both the land to be released and the land remaining under the lien of the Mortgage, including a complete legal description of both the land to be subject to the partial release and the land remaining under the lien of the Mortgage, (If the land to be released and the land remaining can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Servicer may use that copy to delineate the land to be released. The Servicer must be able to delineate clearly on the survey the location of the land to be released and the land remaining under the lien of the Mortgage.),
- Copy of the proposed partial release (including a complete legal description of the land to be released)

The Servicer must also deliver original documents to be executed by Freddie Mac to complete and record the partial release.

**c. Information required with a request for Freddie Mac approval of a partial release (04/30/19)**

For any Mortgage for which the Servicer is not delegated approval authority under Sections 43.11(a) and (b), the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1-13 below, the Servicer must electronically deliver those materials to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

For all partial releases that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review/processing fee for an application in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer must remit to Freddie Mac 50 percent of the review/processing fee, if applicable, and



may retain the remaining 50 percent. The Servicer may not charge the Borrower any additional fees for processing an application for approval of a partial release.

At the time of delivery of the partial release request to Freddie Mac, the Servicer must remit to Freddie Mac by wire transfer the Freddie Mac portion of the review/processing fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number

The Servicer must deliver each of the following documents:

1. A completed Property Partial Release Request, which must include the Servicer's analysis along with the Servicer's recommendation for action
2. Form 1125, Borrower Application for Partial Release or Easement, completed and signed by the Borrower and any Guarantor(s)
3. Survey that shows both the land to be released and the land remaining under the lien of the Mortgage, including a complete legal description of both the land to be subject to the partial release and the land remaining under the lien of the Mortgage (If the land to be released and the land remaining can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Seller may use that copy to delineate the land to be released. The Servicer must be able to clearly delineate the location of the land to be released and the land remaining under the lien of the Mortgage on the survey.)
4. Copy of the proposed partial release (including a complete legal description of the land to be released)
5. Title update report dated not earlier than 45 days before the date of Form 1125, Borrower Application for Partial Release or Easement
6. Written explanation of the process to be followed in separating the tax lots, if applicable
7. Payment history of the Freddie Mac Mortgage for the previous 12 months
8. Color photographs of the land to be released, if requested by Freddie Mac
9. A Freddie Mac Annual Inspection Form (AIF), if requested by Freddie Mac
10. A zoning report or preliminary legal issues memorandum confirming that the Property will remain in compliance with all zoning regulations after the partial release
11. If the Servicer determines that there are possible legal issues raised by the partial release, a preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 or Section 6SBL.7, if applicable. If the Servicer does not submit a PLIM, and Freddie Mac

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determines that the transaction raises legal issues, Freddie Mac reserves the right to request that the Servicer deliver a PLIM.

12. The Servicer's DCR and LTV analysis, addressing any changes resulting from the release and mitigating any negative changes (Note that an appraisal may be required to establish value for the proposed release parcel)
13. Any other information requested by Freddie Mac

**d. Freddie Mac approval (04/30/19)**

Freddie Mac will determine whether to approve the proposed partial release and will advise the Servicer, in writing, of that decision. Freddie Mac may require that any consideration being paid to the Borrower for the released land be applied to the UPB of the Mortgage to obtain an LTV Ratio no higher than the LTV Ratio of the Mortgage immediately before the partial release or to reduce the LTV Ratio (if Freddie Mac determines that the intended use of the released land would adversely affect the value of the remaining Property).

The approval letter will set forth any further requirements and will require the Servicer to collect a counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, including its in-house counsel. The Servicer must remit the counsel fee by wire transfer to Freddie Mac at the same time it submits the approval letter that the Servicer executes and returns to evidence its acceptance of the terms, or as otherwise instructed in the approval letter. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

If Freddie Mac approves the proposed partial release, the Servicer must submit to Freddie Mac an execution-ready partial release and, if applicable, any other documents that must be executed by the lender. Before submitting the proposed partial release and any other applicable documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to assure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the partial release approved by Freddie Mac, including a legal description supported by the survey

**e. Recordation (05/07/07)**

The Servicer must comply with all local recording requirements and arrange for recordation of the partial release and any other applicable documents at no cost to Freddie Mac.



**f. Documents required after partial release (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must deliver the following documents to Freddie Mac:

- By electronic delivery, the partial release, showing signatures and recording information (If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must deliver a copy showing the required information as soon as such information is available.)
- The original title endorsement updating the Property legal description and reflecting recording of the partial release
- Any other document required by the Freddie Mac approval letter

**43.12 Condemnation/eminent domain (06/30/16)**

**a. Requirements applicable to both non-SBL and SBL Mortgages (06/30/16)**

For any full or partial taking of the Property by condemnation or eminent domain, the Servicer must take the following actions after receiving notice of the initiation of such action:

- Enter the Borrower request into the Consent Request Tracker, as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1-13 of Section 43.11(c), electronically deliver those materials to Freddie Mac, together with the Borrower's request and the Servicer's recommendation; for an SBL Mortgage, the Servicer's recommendation must include an analysis of the requirements set forth in Section 43.12(b)
- Charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10, and submit the review fee, if applicable, by wire transfer in the manner described in Section 43.11(c)
- Advise Freddie Mac whether either of the following circumstances exists:
  - The Property will be taken in whole and the consideration to be paid to the Borrower will be insufficient to satisfy the UPB of the Mortgage
  - The Property will be taken in part and the ratio of the UPB of the Mortgage to the current appraised value of the remaining Property is higher than the LTV Ratio of the Mortgage immediately before the taking, even after applying any consideration to reduce the UPB of the Mortgage.

**b. Additional requirements applicable to SBL Mortgages (06/30/16)**

Subject to the terms of the Loan Agreement (including Section 6.11(c) of the Loan Agreement), in the event of a partial condemnation of the Property, if the Servicer has determined that no event of default, or any event which, with the giving of notice or the passage of time, or both,





would constitute an event of default, has occurred and is continuing, then in the event of a partial condemnation resulting in proceeds or awards in the amount of less than \$100,000, the Servicer may authorize the Borrower to make proof of loss, adjust and compromise the claim and collect and receive any proceeds directly without the approval or prior consent of Freddie Mac so long as the proceeds or awards are used solely for the restoration of the Property.

In the event of a partial condemnation of the Property resulting in proceeds or awards in the amount of \$100,000 or more and subject to the terms of the Loan Agreement, Freddie Mac may require the Servicer to apply condemnation proceeds to the principal balance of the Mortgage if Freddie Mac, in Freddie Mac's discretion, determines that any of the following conditions is met:

- An event of default (or any event, which, with the giving of notice or the passage of time, or both, would constitute an event of default) has occurred and is continuing.
- There will not be sufficient funds from condemnation proceeds, anticipated contributions of Borrower of its own funds or other sources acceptable to Freddie Mac to complete the restoration.
- The rental income from the Property after completion of the restoration will not be sufficient to meet all operating costs and other expenses, deposits to Reserve funds and Mortgage repayment obligations relating to the Property.
- The restoration will not be completed at least one year before the maturity date of the Mortgage (or six months before the maturity date if re-leasing of the Property will be completed within such six-month period).
- The restoration will not be completed within one year after the date of the condemnation.
- The condemnation involved an actual or constructive loss of more than 15 percent of the fair market value of the Property, and rendered untenable more than 25 percent of the residential units of the Property.
- After restoration the fair market value of the Property is expected to be less than the fair market value of the Property immediately prior to the condemnation (assuming the affected portion of the Property is re-let within a reasonable period after the date of the condemnation).
- Leases covering less than 35 percent of residential units of the Property will remain in full force and effect during and after the completion of restoration.

**43.13 Maturing Mortgages (04/18/24)**

As a Mortgage approaches its maturity date, the Servicer must maintain contact with the Borrower and must keep Freddie Mac informed about the Borrower's plans regarding payoff of the Mortgage. Approximately six months prior to the maturity date of the Mortgage, *Multifamily Special Servicing* may request the Servicer to complete a Form 1101, Legal Referral Form, and provide certain other information. The Servicer must return the completed Form 1101 and any other requested information to Freddie Mac within 10 days of the request.



**a. Refinance candidates (06/27/19)**

The Servicer must evaluate each maturing Mortgage to determine whether the Mortgage may qualify for refinancing under a Freddie Mac purchase program or product and whether the Borrower is interested in pursuing such a refinance. The Servicer must advise Freddie Mac of the results of its analysis. Additional action to be taken depends upon whether the Servicer is a member of the Optigo Lender network.

**1. If the Servicer is a member of the Optigo Lender network**

If the Mortgage appears to qualify for a refinancing under a Freddie Mac purchase program or product and the Borrower is interested, the Seller/Servicer must contact the Applicable Freddie Mac *Multifamily Regional Office* to initiate a transaction.

**2. If the Servicer is not a member of the Optigo Lender network**

Freddie Mac may, in its sole discretion, elect to provide the Borrower with a list of Optigo Lenders for the geographic region in which the Property is located.

**b. Monitoring of payoff plans (04/18/24)**

The Servicer must keep Freddie Mac informed of the Borrower's efforts to secure alternate refinancing or to market and sell the Property to pay off the maturing Mortgage.

**1. Letters to Borrower**

The Servicer must send letters to the Borrower at the following times, requesting information about the Borrower's plans to pay off the Mortgage at maturity:

- Nine months prior to maturity
- Six months prior to maturity, if the Borrower has not responded to the previous letter
- Three months prior to maturity, if the Borrower has not responded to any prior letters

The Servicer may send each letter by certified mail, return receipt requested or via email. A copy of the Servicer's letter and any Borrower response must be sent to the assigned *Multifamily Asset Resolution Analyst* upon request.

Each letter listed above must emphasize that Freddie Mac expects that the Mortgage will be paid in full in accordance with its terms on or before the maturity date and that a failure to do so will constitute a default under the terms of the Mortgage.

**2. Additional contacts with Borrower**

If the Servicer has received no response from the Borrower within 30 days following its letter sent six months prior to the maturity date, the Servicer must attempt to contact the Borrower by telephone or in person to request the information regarding the Borrower's plans to pay off the Mortgage at maturity.



If the Servicer has not received a request for a payoff statement by the 30th day prior to the maturity date of the Mortgage, the Servicer must attempt to contact:

- The Borrower by telephone to confirm Borrower’s source of funds to pay off the Mortgage at maturity, or
- The new lender directly for confirmation of its commitment to the Borrower, in the case of a third-party refinance.

**3. Extensions**

On a case-by-case basis, Freddie Mac may consider extension of a Mortgage to enable a Borrower to obtain funds to pay off a maturing Mortgage. Any extension will be on conditions specified by Freddie Mac. Those terms may include payment of an extension fee, an increase in the Mortgage interest rate, revised amortization, a paydown of the loan amount, and payment of all administrative costs in connection with the extension.

**c. Transfer of Servicing of a matured Mortgage (10/07/08)**

If a Mortgage has not been paid in full by its maturity date, Freddie Mac may, in its sole discretion, transfer Servicing of that Mortgage to another Servicer. If Freddie Mac elects to transfer Servicing of the matured Mortgage, the existing Servicer will not be compensated and must cooperate fully with Freddie Mac and the transferee Servicer.

**43.14 Modification; release; waivers (06/17/21)**

**a. Limits on Servicer (04/30/13)**

The Servicer must not modify, waive or release any term of any Note, Security Instrument or other Loan Document, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note, Security Instrument or other Loan Document except as authorized by the Purchase and Servicing Documents.

**b. Collateral release (06/17/21)**

For the requests listed below, the Servicer must complete and electronically deliver to Freddie Mac a written request and recommendation using the Release/Extension of Monetary Collateral Request, attaching any necessary supporting documentation to include:

1. Release or reduction of Guaranty
2. Release of Rental Achievement Agreement
3. Release of Letter of Credit
4. Release of other Reserve



**c. Waivers (06/17/21)**

The Servicer must complete and submit a waiver request via the Freddie Mac Insurance Compliance Tool (ICT), which must include the Servicer's analysis along with the Servicer's recommendation for action, to request any waiver of the insurance requirements if the right to grant such a waiver has not been delegated to the Servicer. A certificate executed by a Chief Servicing Officer will not be required for any such request.

For any other type of waiver or requested adjustment to the Loan Documents, the Servicer must complete and submit a General Servicing Request and a certificate executed by a Chief Servicing Officer, both of which are available at <https://mf.freddiemac.com/lenders/guide/> under Forms for Asset Management.

**43.15 Rate Reset Mortgages (04/30/19)**

**a. Submission of information to Freddie Mac (04/30/19)**

Within 10 days following receipt of notice that the Borrower wishes to exercise its option to extend the term of a Rate Reset Mortgage and reset the interest rate, the Servicer must notify Freddie Mac *Multifamily Asset Management, Structured Transactions*. The Borrower must notify the Servicer of its intent to exercise the Rate Reset option no earlier than 180 days, and no later than 110 days prior to the maturity date of the original term. The Servicer must deliver the following items to Freddie Mac *Multifamily Asset Management, Structured Transactions*:

1. A copy of the Borrower's notice to the Seller
2. A certificate in a form acceptable to Freddie Mac, stating the following for each Borrower and Borrower Principal:
  - Bankruptcy or insolvency experience during the original Mortgage term
  - Default experience with respect to any Mortgage made by the same Borrower and held by Freddie Mac during the original Mortgage term
3. An AIF, dated within 60 days prior to submission
4. The Servicer's written analysis of whether the Borrower meets all requirements specified in the applicable Loan Documents for approval of the request to extend the Mortgage term and to reset the interest rate

The Servicer must remit the Rate Reset fee received from the Borrower by wire transfer. Unless otherwise specified in the Loan Documents, the fee must be equal to the amount set forth in Exhibit 10. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Structured Transactions*. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.



**b. Conditions for approval of extension/reset request (05/06/05)**

Freddie Mac will review the materials submitted by the Servicer and will make its determination whether the Borrower meets the applicable requirements for extension of the Mortgage term and resetting of the interest rate.

**c. Notification and determination of eligibility for Rate Reset and extension (05/06/05)**

Within 30 days after receipt of all documents from the Servicer as specified in Section 43.15(a), Freddie Mac will make a determination on whether the Borrower is eligible to extend the Mortgage term and reset the interest rate, and will deliver written notice of its determination to the Servicer.

**1. Adverse determination**

If Freddie Mac determines that the Borrower has not met all conditions for exercise of the option, Freddie Mac will return the Borrower's Rate Reset fee to the Servicer.

**2. Approval determination**

If Freddie Mac determines that the Borrower has met all conditions for exercise of the option, the Borrower's Rate Reset fee will be nonrefundable, and the notice will specify:

- The period that is not more than 70 days or less than 60 days prior to the original maturity date of the Mortgage during which the Servicer must lock the interest rate for the extended term, and
- The procedure that the Servicer must use to lock the reset interest rate

**d. Execution of extension documentation (05/06/05)**

After the Servicer locks the rate for the extended term, Freddie Mac will deliver to the Servicer the documentation (with instructions for completion) to be executed by the Borrower to evidence the reset interest rate effective during the extended term, the new monthly payment amount and the new maturity date of the Mortgage. The Servicer must arrange for the prompt execution and recording of the required documents.

**e. Delivery of extension documentation to Freddie Mac (05/31/12)**

The Servicer must deliver the following to Freddie Mac *Multifamily Asset Management, Structured Transactions* at least 30 days prior to the maturity date of the original term of the Mortgage:

- If required by Freddie Mac, copies of all recorded extension documents, each showing the recorder's stamp, book and page numbers, or instrument number
- Originals of any other documents required by Freddie Mac, and
- If required by Freddie Mac, an endorsement to the title insurance policy in a form acceptable to Freddie Mac and at no expense to Freddie Mac, insuring the continuing First Lien priority



of the Mortgage following the extension of the Mortgage term and resetting of the interest rate

If required by Freddie Mac, the Servicer must deliver the original recorded documents to Freddie Mac *Multifamily Asset Management, Structured Transactions* as soon as the Servicer receives them from the recorder or clerk.

**f. Reimbursement of Servicer's costs (05/06/05)**

The Servicer may obtain from the Borrower reimbursement of the Servicer's actual costs incurred in connection with the execution and recording of the documents evidencing the terms of the extended Mortgage, including attorneys' fees, recording costs and other out-of-pocket expenses.

**g. Borrower's failure to complete extension process (05/06/05)**

If the Borrower fails to complete the extension and Rate Reset process following a determination by Freddie Mac that the Borrower satisfies all conditions for exercise of the extension option, then Freddie Mac will retain the Borrower's Rate Reset fee, and the Mortgage will be due and payable in full on its original maturity date.

**43.16 Risk detection and notification; Risk Ratings and monitoring responsibilities (06/29/17)**

**a. Loan compliance and risk detection responsibilities (05/01/14)**

**1. Risk detection**

The Servicer must identify increased risk associated with a Property or Mortgage by:

- a. Inspecting the Property (including physical findings, market review and management evaluation)
- b. Reviewing the Mortgage during the assessment process
- c. Monitoring Mortgage compliance (for example, Mortgage payments and Reserves)
- d. Applying market knowledge
- e. Interacting with the Borrower
- f. Determining whether a disaster in the Property's location has caused any damage to the Property

**2. Assessing Mortgage Document compliance by the Borrower**

The Servicer must monitor the Borrower's compliance with the terms and conditions of the Loan Documents, including:

- a. Monitoring insurance to ensure compliance with coverage requirements
- b. Ensuring completion of all required repairs



- c. Ensuring compliance with other Mortgage conditions (for example, obtaining or maintaining a tax abatement or tax exemption, clearing code violations, complying with regulatory requirements, or complying with any financial covenants)
- d. Monitoring letters of credit to ensure compliance with the requirements set forth in Section 11.2

If the Borrower has failed to comply with the terms and conditions of the Loan Documents, other than monetary defaults (which are addressed in Chapter 44), the Servicer must attempt to resolve the noncompliance as authorized in the Guide and the Purchase and Servicing Documents. If the Servicer is unable to resolve the Borrower's noncompliance, the Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* within 30 days of the Servicer's identification of the Borrower's noncompliance and provide the Servicer's recommended action or actions.

**b. Risk outlook, notification and recommendation (09/28/12)**

The Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* of any change in the Servicer's risk outlook of the Mortgage within five Business Days and discuss its findings with its Freddie Mac *Multifamily Asset Management, Surveillance* representative.

The Servicer must provide its recommendations regarding its view of the loan's risk and detail any further action needed.

**c. Risk Ratings and monitoring (05/31/12)**

If Freddie Mac determines that the Mortgage meets its criteria for a Risk Rating greater than six, Freddie Mac will notify the Servicer that it has assigned that Mortgage a Risk Rating greater than six. With the notification, Freddie Mac will include any additional steps that the Servicer must take to monitor the risk. The Servicer must comply with all elements of the Freddie Mac request and continue to monitor the risk factors associated with the Property and the Mortgage.

**d. Quarterly reporting based on Risk Rating (06/29/17)**

The Servicer must report quarterly on the performance of each Property that secures a Mortgage with a Risk Rating greater than six. The Servicer must submit each report by the due date specified by Freddie Mac and must use the quarterly report format provided by Freddie Mac. The Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* of any changes in the risk factors. See Chapter 40 for additional information on the Quarterly Financial assessment (QIE).

**43.17 Mortgages paid in full (12/14/18)**

**a. Mortgage paid in full at maturity (04/30/15)**

The Servicer is responsible for the review of a Borrower's request to pay a Mortgage in full. Before responding to any inquiry regarding the full satisfaction of a Mortgage, the Servicer must carefully review the terms of the Note to determine the full amount due.



The Servicer must notify Freddie Mac *Multifamily Loan Accounting* of the Borrower's request to pay in full any Mortgage serviced for Freddie Mac. The Servicer must submit a completed Loan Payoff Notice, available via [mf.freddie.mac.com/lenders/reporting](http://mf.freddie.mac.com/lenders/reporting), (which must include the Servicer's analysis along with the Servicer's recommendation for action) and must forward the following information to Freddie Mac *Multifamily Loan Accounting* within five Business Days after receipt by the Servicer of the Borrower's request to pay in full:

1. Copy of any Consolidation, Modification and Extension Agreement (if applicable)
2. Copy of the Borrower's payoff request

**b. Mortgage paid in full prior to the maturity date (05/06/05)**

Additional requirements for any Mortgage being paid in full prior to the actual maturity date are located in Section 51.1.

**c. Requests for Freddie Mac execution of documents (12/07/07)**

The Servicer must submit to Freddie Mac *Multifamily Loan Accounting* all requests for Freddie Mac execution of documents necessary to complete the release, discharge or satisfaction of debt. The Servicer or its attorney must forward the original satisfaction documents to Freddie Mac *Multifamily Loan Accounting* for signature by Freddie Mac. For documents that require Freddie Mac execution, the Servicer must include a letter explaining:

1. The nature of the request (release of Note or execution of documents)
2. The reason for the request (maturity, full prepayment, repurchase approved by Freddie Mac, repurchase demanded by Freddie Mac or repurchase in compliance with a recourse agreement)
3. Any special endorsement to the Note required by Freddie Mac or by applicable law
4. The date applicable funds were remitted to Freddie Mac
5. The address and identity of the official of the Servicer to whom Freddie Mac should return the executed documents

**d. Documentation delivered after payment-in-full (12/14/18)**

After Freddie Mac receives payment in full, whether at maturity or by prepayment, Freddie Mac will return to the Servicer the original Note stamped "Paid and Cancelled". It is the Servicer's responsibility to return the original Note to the Borrower and to record or file any satisfaction documents.

**43.18 Noncompliance fees (06/12/23)**

Freddie Mac separately monitors Servicing reporting, accounting reporting and Delinquency reporting and separately assesses noncompliance fees. Freddie Mac will send the Servicer a written notification of each violation. Fees are due to Freddie Mac no later than the fifth Business Day after the first accounting cutoff date following the missed reporting due date. The Servicer must remit the





fee using the myOptigo® Servicer Remittance system described in Section 53.7. The cash statement for the accounting cycle in which the fee is due will reflect the fee. Freddie Mac reserves the right to change all fees and other remedies at any time and at its sole discretion.

**43.19 Property management (10/17/24)**

**a. General property management requirements (10/17/24)**

For non-SBL Mortgages, the Servicer must ensure that the property management company and proposed property management agreement comply with all requirements of the Loan Documents, and if the Loan Documents are silent, with all requirements of Section 8.13.

For SBL Mortgages, the Servicer must ensure that the property management company and proposed property management agreement comply with all requirements of the SBL Loan Documents.

For all Mortgages, with respect to each proposed property management company and/or proposed sub-management company, the Servicer must certify that it has performed the applicable searches with respect to such entity that are required under Sections 2.18, 2.23, 2.24 and 9.3, including Freddie Mac Exclusionary List, FHFA SCP List and OFAC screening, and Web Searches to identify adverse information related to Financial Crimes, litigation, negative credit events and adverse actions that may pose reputational risk.

**b. When full Freddie Mac review of a property management change (including delegation to a sub-manager) is not required (10/17/24)**

Freddie Mac full review of a property management change is not required if the new property management company is on the Freddie Mac Property Management Company List Freddie Mac will be deemed to have approved the change in property management, if each of the following conditions is satisfied:

1. The Servicer delivers to Freddie Mac *Multifamily Asset Management, Borrower Transactions* or, for Structured Transactions, *Multifamily Asset Management, Structured Transactions*, each of the following:
  - A summary of the new property manager's qualifications and experience
  - A Property Management Change Certification, executed by the Borrower, the new property manager, and the Servicer, with no changes other than blanks filled in, required boxes checked, and signature blocks completed (a Chief Servicing Officer Certification is not required)
  - A copy of the fully-executed Management Agreement
  - A copy of the fully-executed Sub-Management Agreement (if applicable)

If any provision of the form requires revision to correctly reflect the proposed transaction, the Property Management Change Certification is inapplicable, and the Servicer must follow the review process detailed in Section 43.19(c).



- For non-SBL Mortgages, each of the following, as applicable:
  - Assignment of Management Agreement and Subordination of Fees (New Property Manager), executed by the Borrower and the new property manager
  - Assignment of Management Agreement and Sub-Management Agreement and Subordination of Management Fees and Sub-Management Fees executed by the Borrower, the new property manager and new property sub-manager
  - If the new property manager is affiliated with the Borrower, and the Borrower was required to provide a nonconsolidation opinion at the origination of the Mortgage, an updated nonconsolidation opinion
- 2. The Servicer has entered the Borrower request into the Consent Request Tracker, as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.

Freddie Mac will execute the Property Management Change Certification and the Assignment of Management Agreement and Subordination of Fees (New Property Manager), and will upload the fully-executed document to DMS.

**c. When Freddie Mac review of a property management change (including delegation to a sub-manager) is required; review process (10/17/24)**

If any of the conditions set forth in Section 43.19(b) are not satisfied, Freddie Mac must review and approve the request for a property management company change, and the provisions of Sections 43.19(c), (d) and (e) will apply.

Upon receiving a request for approval of or notice of a property management change, the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker, as required by Section 36.25
- Promptly upon receipt of all applicable items listed below, electronically deliver those materials to Freddie Mac
  - 1. Completed Property Management Change Request, including the Servicer's analysis and the Servicer's recommendation for action
  - 2. Copy of the Borrower's request explaining the reason for the property management change
  - 3. Certification from the Borrower of each of the following:
    - The management agreement does not include any terms that are not customary in the market area in which the Property is located.
    - The Mortgage is current and the Borrower is not aware of any event of default which has occurred and is continuing with respect to the loan
    - The Borrower has obtained the consent of any other party required to consent to a change of the property management company for the Property

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- 4. Copy of the proposed new property management agreement
- 5. Copy of the proposed Sub-Management Agreement (if applicable)
- 6. Resume, brochure and/or the web address for the proposed management company

**d. Freddie Mac’s review of the property management change request (including delegation to a sub-manager) (10/17/24)**

In conducting its review of the property management change request, Freddie Mac may consider the following factors:

- 1. The Property’s Risk Rating
- 2. Whether the Mortgage is current with no continuing event of default
- 3. Whether the proposed property manager is a third-party property management company with at least five years of experience managing properties similar to the subject Property in size and type and in the same market as the subject Property
- 4. Whether the proposed property management company is a for-profit or a non-profit entity
- 5. Whether the proposed compensation for the property management company exceeds:
  - For non-SBL Mortgages, the percentage of overall gross monthly rents provided for in the previously approved contract with the prior property management company
  - For SBL Mortgages, the greater of seven percent of the overall gross monthly rents or the percentage of overall gross monthly rents provided for in the previously approved contract with the prior property management company
- 6. If the Borrower will not assign its interests under the property management agreement to Freddie Mac (such as for an SBL Mortgage), whether the contract is terminable upon not more than 30 days’ notice without the necessity of establishing cause and without payment by Borrower or its successors of a penalty or termination fee
- 7. The extent of any planned or started rehabilitation at the Property
- 8. The extent of any Deferred Maintenance shown on the latest annual risk assessment and the Property rating

**e. Documentation required following approved property management change (including delegation to a sub-manager) (10/17/24)**

If Freddie Mac has approved a property management change, then within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to *Freddie Mac Multifamily Asset Management Borrower Transactions* each of the following items, as applicable:

- For non-SBL Mortgages:



- Property management agreement in the form approved by Freddie Mac
- For a change of property management company, a copy of the fully executed Assignment of Management Agreement
- For changes involving only a modification of the property management agreement (and not involving a change of property management company), an amendment to the applicable Assignment of Management Agreement replacing the form of property management attached thereto as an exhibit
- A copy of the fully executed Assignment of Management Agreement and Sub-Management Agreement and Subordination of Management Fees and Sub-Management Fees, if applicable
- An updated non-consolidation opinion (if required)
- Any other documents specified in the approval letter
- For SBL Mortgages:
  - Each of the documents specified in the approval letter
  - An Assignment of Management Agreement and Subordination of Management Fees is not required or applicable

**43.20 Advance written notice to the Borrower for ARM payments (06/30/16)**

The Servicer must provide the Borrower with advance written notice of each interest rate adjustment and each new monthly payment due under the Note for an ARM or an SBL Hybrid ARM. The Servicer must give each such notice in the manner specified in the Loan Documents for the giving of notices, and the Servicer must give each such notice at least 15 calendar days prior to the due date of the new monthly payment.

**43.21 Third-party cap agreement (07/01/14)**

**a. Payments by cap provider (07/01/14)**

As long as there is not an event of default, if the Borrower has paid in full the applicable monthly payment of principal and interest or interest only due under the Note, the Servicer must remit to the Borrower any payment received under a third-party interest rate cap agreement ("cap agreement") from the provider of the cap agreement ("cap provider").

**b. Collection of cap agreement payments for conventional Mortgages (02/07/08)**

The Servicer, on behalf of Freddie Mac, must diligently attempt to collect all payments under the cap agreement or interest rate cap guaranty at the times they are due and payable.



**43.22 Subsequent cap agreements for cash Mortgages (02/28/18)**

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages. See Sections 25.12 and 25.18 for interest rate cap requirements for TEL Mortgages.

**a. Deposits to cap fee Reserves (02/28/18)**

The Borrower must deposit ("cap fee Reserve") an amount sufficient to accumulate funds equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to termination of the then-existing cap agreement, a subsequent cap agreement ("subsequent cap agreement") with (1) a term expiring on the earlier of the date that is two years after the termination of the then existing cap agreement or the maturity date of the Mortgage, (2) a notional amount equal to the outstanding principal balance due under the Note on the commencement date of the subsequent cap agreement and (3) a strike rate equal to the original strike rate.

On the Origination Date, the Servicer must calculate the initial monthly cap fee Reserve based on the purchase price of the cap agreement and inform the Borrower of that amount. The process for adjusting the monthly cap fee Reserve amount is as follows:

1. Within 30 days after the Origination Date, the Servicer must complete the information on the first page of the Kensington Cap Escrow Adjustment Form and submit the form to Kensington Capital Advisors LLC ("Kensington") at [capinfo@kensington-advisors.com](mailto:capinfo@kensington-advisors.com), together with a copy of the Rate Cap Rider from the Loan Agreement.
2. 30 days prior to the due date of each cap fee Reserve adjustment, Kensington will provide each Servicer with a list of Mortgages requiring review of the cap fee Reserves. Upon receipt of the list of Mortgages, the Servicer must provide Kensington with the anticipated unpaid principal balance at the time of cap renewal and the current cap fee Reserve balance for each of the Mortgages on the list.
3. Kensington will determine the new monthly deposit to the cap fee Reserve and return the completed Kensington Cap Escrow Adjustment Form to the Servicer.
4. The Servicer must review and sign the completed Kensington Cap Escrow Adjustment Form indicating its approval.
5. The Servicer must notify the Borrower of the amount of the new monthly deposit for the cap fee Reserve.
6. With respect to each subsequent cap fee Reserve adjustment, the Servicer must provide to Kensington not less than 15 days prior to the date on which the cap fee Reserve will be adjusted, (1) the anticipated unpaid principal balance at the time of cap renewal and (2) the then current cap fee Reserve balance.
7. Thereafter, the Servicer must review and approve all subsequent adjustments to monthly cap fee Reserve payments required under the loan agreement in the manner set forth in this section and in accordance with the terms of the Loan Documents.

Freddie Mac reserves the right, after notice to the Servicer, to require the Servicer to obtain Freddie Mac's approval for all cap deposits Reserve adjustments for a Mortgage. This

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notification may be in the form of an email from Freddie Mac's *Multifamily Asset Management* representative.

**b. Interest on cap deposits (09/25/15)**

Unless applicable law requires, or the Loan Documents provide otherwise, Freddie Mac will not require the Servicer to pay the Borrower any interest, earnings or profits on the cap deposits related to Mortgages.

**c. Excess cap deposits (09/25/15)**

If the Borrower delivers a subsequent cap agreement and there are excess cap deposits, the Servicer must continue to hold such excess cap deposits and apply the accumulated deposits to purchase a subsequent cap agreement, unless authorized by Freddie Mac to release the funds to the Borrower. When the Borrower has paid the indebtedness in full, or has purchased a cap agreement with a termination date no earlier than the maturity date of the Mortgage, Freddie Mac will authorize the Servicer to return any cap deposits to the Borrower.

**d. Terms of subsequent cap agreements (07/01/14)**

Any subsequent cap agreement must have:

- A term not earlier than one year from its effective date,
- A strike rate that does not exceed the original strike rate set forth in the Loan Documents, and
- A notional amount equal to the outstanding indebtedness on the effective date of the subsequent cap agreement.

**e. Cap deposits Reserve Custodial Account (09/25/15)**

Unless otherwise stated in the Loan Documents, cap deposits Reserve Custodial Accounts must meet the requirements of Chapter 52.

**f. Cap agreement and cap provider requirements (02/07/08)**

See Section 11.3 for the requirements regarding the cap agreement and cap provider.

**43.23 Property Improvement Alterations for non-SBL Mortgages (06/16/22)**

For non-SBL Mortgages, in accordance with the Loan Agreement, the Borrower must notify the lender when it intends to begin Property Improvement Alterations. After receipt of the Property Improvement Alterations Notice from the Borrower, the Servicer must notify Freddie Mac of the planned Property Improvement Alterations and monitor the Borrower's compliance with the terms of the Loan Agreement.

For purposes of this Section 43.23, the term "Borrower's certificate" means either of the following:



- A certificate from the Borrower in substantially the form attached to the Loan Agreement for documenting Property Improvement Alteration matters, if applicable, or
- If no form of certificate is attached to the Loan Agreement, then a certificate from the Borrower which includes the information specified in Section 43.23(b) or 43.23(c), as applicable.

Note that the provisions of Section 43.23 do not apply to repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents.

**a. Notifying Freddie Mac of Property Improvement Alterations (02/27/15)**

Within five Business Days after receiving a Property Improvement Alterations Notice from a Borrower, the Servicer must:

- Electronically deliver to Freddie Mac Form 1126, Acknowledgement of Property Improvement Alterations, along with a copy of the Property Improvement Alterations Notice received from the Borrower, and
- Provide the Borrower with a copy of Form 1126, Acknowledgement of Property Improvement Alterations, submitted to Freddie Mac.

For a Mortgage that has been designated for inclusion in a Securitization, if any Property Improvement Alterations described in a Property Improvement Alterations Notice received by the Servicer have commenced but have not yet been completed, then prior to the Securitization, but no later than 15 days following a request by Freddie Mac, the Servicer must deliver to Freddie Mac a Borrower's certificate detailing the status of the Property Improvement Alterations.

**b. Monitoring ongoing Property Improvement Alterations (04/30/19)**

While Property Improvement Alterations are taking place, the Servicer must obtain and review the rent roll on a quarterly basis. If the rent roll shows that the occupancy of the Property has decreased to less than the Minimum Occupancy set forth in the Loan Agreement, the Servicer must:

- Inform Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via email, and
- Obtain a Borrower's certificate which includes the following:
  - A list of all of the Property Improvement Alterations described in the Property Improvement Alterations Notice that the Borrower has commenced but not yet completed and anticipated completion dates for all such Property Improvement Alterations
  - A list of all of the Property Improvement Alterations described in the Property Improvement Alterations Notice that the Borrower has completed
  - If required by the Loan Agreement, a statement that any commenced or planned Property Improvement Alterations that would cause dwelling units to be unavailable for



rental have been suspended until the Minimum Occupancy threshold is satisfied

- Any other information required by Freddie Mac

The Servicer is responsible for monitoring any undertaken Property Improvement Alterations, including, when appropriate, employing a qualified inspector or physical engineer to inspect the Property Improvement Alterations.

**c. Completion of Property Improvement Alterations (06/16/22)**

When all Property Improvement Alterations described by the Property Improvement Alterations Notice have been completed, the Servicer must obtain a Borrower's certificate specifying that the completed Property Improvement Alterations were completed in a good and workmanlike manner and in compliance with all laws (including life safety laws, environmental laws, building codes, zoning ordinances and laws for the disabled).

**43.24 Commercial/non-residential leases (04/18/24)**

This Section 43.24 does not apply to Infrastructure Agreement Servicing Requests, as described in Section 43.32.

**a. When Freddie Mac approval is required (04/18/24)**

Freddie Mac approval is required for:

- Any new or modified non-residential (commercial) lease, including an extension or termination of such lease (a "Nonresidential Lease"), except (i) an Infrastructure Agreement Servicing Request for a lease satisfying the requirements under Section 43.32(b), (ii) any lease expressly permitted by the Loan Documents, or (iii) for an SBL Mortgage, a lease satisfying the requirements of Section 43.24(e)
- Any new lease related to drilling, oil or gas exploration at the Property

**b. Servicer's request for Freddie Mac approval (05/05/17)**

Upon receiving a request for approval of any new or modified commercial lease or oil and gas lease, the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25
- Electronically deliver to Freddie Mac the General Servicing Request, and any necessary supporting documentation
- For an SBL Mortgage, the Servicer must include with the General Servicing Request a Commercial Lease Analysis and Estoppel – SBL summarizing the terms of the commercial lease; a PLIM is only required for an oil and gas lease, or if otherwise requested by Freddie Mac





**c. Freddie Mac’s review of lease approval request (05/05/17)**

In conducting its review of the requested commercial or drilling, oil, or gas lease, Freddie Mac may consider factors including the following:

1. For a non-SBL Mortgage, whether income from the lease is less than five percent of total gross potential rent for the Property.
2. Whether approval of the lease will cause a decline in gross potential income for the Property.
3. Whether the new tenant is equal to or better in quality than the exiting tenant
4. Whether the new lease and tenant present any negative environmental impact
5. The Risk Rating of the Mortgage
6. Whether the Mortgage is in default

**d. Required documentation following Freddie Mac approval (05/05/17)**

Within the time specified in Freddie Mac’s approval letter, the Servicer must electronically deliver to Freddie Mac the following documents:

- Copy of the signed lease agreement
- For a Non-SBL Mortgage, a copy of Lessor’s Estoppel Certificate
- For an SBL Mortgage, a copy of the Commercial Lease Analysis and Estoppel – SBL, executed by the tenant
- Any additional documentation required by the approval letter

**e. Non-residential leases the Servicer is permitted to approve for an SBL Mortgage (06/15/23)**

During any period in which Freddie Mac owns an SBL Mortgage until the Servicer receives notification from Freddie Mac that the SBL Mortgage has been designated for inclusion in a Securitization, the Servicer may approve a non-residential lease provided that the non-residential lease satisfies each of the following requirements:

- The tenant under the non-residential lease is not an Affiliate of the Borrower or an affiliate of any Guarantor
- The terms of the non-residential lease are at least as favorable to the Borrower as those customary in the applicable market at the time the Borrower enters into the non-residential lease
- The rents paid to the Borrower pursuant to the non-residential lease are not less than 90 percent of the rents paid to the Borrower pursuant to the non-residential lease, if any, for that



- portion of the Property that was in effect prior to the non-residential lease
- The term of the non-residential lease, including any option to extend, is 10 years or less
  - The intended use of the space that is the subject of the non-residential lease may not allow the leased premises to be used or operated, in whole or in part, for any illegal activity or any Restricted Non-Residential Use
  - The aggregate of the income derived from the space leased pursuant to the Nonresidential Lease accounts for less than 20 percent of the gross income of the Property on the date that the Borrower enters into the Nonresidential Lease

**43.25 Product-specific general Servicing requirements (09/18/14)**

For additional general Servicing requirements for the Freddie Mac Multifamily Seniors Housing Product, see Section 21.19.

For additional general Servicing requirements for Multifamily Housing Bond Credit Enhancements, see Sections 28.8, 28.9, 28.12 and 28.18.

**43.26 Radon and what to report to Freddie Mac (09/14/23)**

A Property secured by an SBL Mortgage is not required to be tested for the presence of radon.

For a Property securing a non-SBL Mortgage, the following table lists the appropriate and timely steps required to notify Freddie Mac for any follow-up radon testing described in Section 61.14.

The Servicer must follow this protocol. The Borrower’s certificate is not sufficient evidence to satisfy radon requirements set forth in the loan documents.

The Seller/Servicer’s engagement with the environmental consultant for an environmental report that is entered into after September 14, 2023 must require the environmental consultant to report certain radon data elements to the designated data collection website provided to the Seller/Servicer by Freddie Mac. For an environmental consultant who needs access to the website, the Seller/Servicer must reach out to MF\_PhysicalRisk@freddiemac.com to obtain access. Instructions for the environmental consultant on submitting the required data elements are available on such website.

Radon Follow-Up Test Results - Environmental Consultant Determination	Required Action
If the environmental consultant determines based on the follow-up test results that no further action is necessary	Servicer must upload the follow-up test results to PRS, naming the file as Radon Test Results Follow-Up, by the Completion Date for Follow-Up Radon Testing (as defined in the Loan Documents).



<p>If the environmental consultant determines based on the follow-up test results that remediation is necessary</p>	<p>Remediation will be required along with the following steps:</p> <p><b>Step 1.</b> Servicer uploads test results to PRS, naming the file as Radon Test Results Follow-Up, by the Completion Date for Follow-Up Radon Testing.</p> <p><b>Step 2.</b> Servicer must provide Borrower with a Radon Remediation Notice (as defined in the Loan Documents) within two Business Days.</p> <p><b>Step 3.</b> Servicer must upload copy of the Radon Remediation Notice to PRS, naming the file as Radon Remediation Notice.</p> <p><b>Note:</b> Borrower will have 30 days after the date of the Radon Remediation Notice to provide Servicer with a signed, binding fixed price radon remediation contract with a qualified service provider. Borrower will have 90 days to complete remediation after the date of the Radon Remediation Notice.</p> <p><b>Step 4.</b> After completion of radon remediation, Servicer must upload to PRS written certification from a qualified environmental consultant stating the remediation methods that were used, that remediation has been satisfactorily completed, that post-remediation testing has been conducted and that the units with completed radon remediation now demonstrate radon levels below 4 pCi/L. Servicer must name the file as Post-Mitigation Test Results.</p>
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43.27 Delivery of written notice of incomplete application or confirmation of withdrawn application (11/30/12)

If an application for a modification to the Mortgage that would result in a change in the collateral or a change in a Borrower Principal or Guarantor, or any other credit extension is incomplete, the Servicer must provide the Borrower with a written request on behalf of Freddie Mac for any missing items in compliance with the Equal Credit Opportunity Act.

If the Borrower withdraws the application either orally or in writing, the Servicer must send on behalf of Freddie Mac written confirmation to the Borrower (letter or email) confirming the Borrower's withdrawal of the application for a modification. The Servicer must maintain a copy of the Borrower's written notice of withdrawal or its confirmation of the oral withdrawal.

The Servicer must maintain a record of all written notices sent on behalf of Freddie Mac and maintain copies of each such notice in the Mortgage file in accordance with the requirements of Chapter 34.

43.28 Ongoing Screening of Restricted Party Lists (07/01/25)

The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.  
43.28 Office of Foreign Assets Control (OFAC) screening (02/18/21)  
The Servicer must periodically and at least ~~annually~~ monthly screen Borrowers, Borrower Principals, Guarantors ~~and~~ Non-U.S. Equity Holders, and any applicable property management company related

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to Mortgages that the Servicer services for Freddie Mac against the ~~most current OFAC Specially Designated Nationals and Blocked Persons ("SDN") List and the OFAC Consolidated Sanctions List. The frequency of such screening must be based on the Servicer's OFAC compliance program and be commensurate with the Servicer's OFAC risk analysis.~~ Restricted Party Lists (as defined in Section 7.1).

In addition to the periodic screenings required above, upon receipt of any Borrower request for lender consent to a transaction, the Servicer must screen Borrowers, Borrower Principals, Guarantors ~~and any, Non-U.S. Equity Holders, and the property management company~~ against the ~~most current OFAC SDN List and OFAC Consolidated Sanctions List~~ Restricted Party Lists prior to approving, or requesting approval from Freddie Mac for, such Servicing-related transaction.

A Servicer that identifies a valid match against ~~the OFAC SDN List or Consolidated Sanctions~~ any Restricted Party List must notify Freddie Mac via an email to the ~~Investigation Unit within 24 hours~~ Multifamily Fraud Investigation Unit within one Business Day of a valid Borrower, Borrower Principal ~~or, Guarantor, Non-U.S. Equity Holder~~ OFAC SDN List or Consolidated Sanctions List, or property management company match. Such email notification must also provide the following information:

- Freddie Mac loan number
- Borrower, Borrower Principal, Guarantor ~~and, any Non-U.S. Equity Holder, and any property management company~~ identifying information
- Name, title, email address, and telephone number for the point of contact at the Servicer who will be able to discuss the ~~OFAC SDN List or Consolidated Sanctions~~ Restricted Party List match

If a Servicer identifies a valid match in a screening conducted in connection with a Borrower request for lender consent to a transaction, then in addition to following the procedure to notify Freddie Mac set forth above, the Servicer must not approve, or request approval from Freddie Mac for, such transaction until it receives further instruction from Freddie Mac.

Upon receipt of the email notification, a representative from Freddie Mac will contact the Servicer to discuss the ~~OFAC~~ Restricted Party List match and any potential next steps. Freddie Mac may also require the Servicer to provide documentation or additional information regarding the ~~OFAC~~ Restricted Party List match.

~~Notifying Freddie Mac of a~~ With respect to any confirmed match against the OFAC SDN List or Consolidated Sanctions List, notifying Freddie Mac does not absolve the Servicer from its responsibility to file any reports with OFAC, as required by OFAC Regulations.

See Section 7.3(b) for ongoing screening requirements applicable to Freddie Mac Matters Employees and Freddie Mac Matters Contractors.



43.29 Subordinate Financing for non-SBL Mortgages (04/18/24)

a. Conditions for Freddie Mac approval of Subordinate Financing for a non-SBL Mortgage (06/30/16)

For any Mortgage purchased for Securitization, Freddie Mac does not permit Subordinate Financing other than Subordinate Financing pursuant to the Freddie Mac Multifamily Supplemental Mortgage Product.

For any other Mortgage, Freddie Mac may, in its sole discretion, consider allowing Subordinate Financing if Freddie Mac determines that the Property would benefit from the Subordinate Financing. If the Loan Documents either require the noteholder's consent to place any Subordinate Financing on the Property or prohibit Subordinate Financing (but Freddie Mac has agreed to consider the Borrower's request), then the Servicer must electronically deliver to Freddie Mac a written request and recommendation for such modification using the General Servicing Request, attaching documentation addressing each item required in Section 43.29(b).

Freddie Mac may reject a request for Subordinate Financing at its discretion. Freddie Mac will consider consenting to Subordinate Financing only if the request meets the following conditions (However, the fact that the Subordinate Financing meets these requirements does not mean that Freddie Mac is obligated to consider or approve the Subordinate Financing.):

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

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- 8. The Servicer must analyze any Replacement Reserve based on the current condition of the Property. If the Property is not being properly maintained, Freddie Mac will reject the Subordinate Financing request unless at least one of the following conditions is met:
  - The Borrower's monthly Replacement Reserve deposit is increased to a sufficient level to adequately maintain the Property, or
  - A Replacement Reserve is established with ongoing funding requirements, and/or
  - The Borrower makes identified repairs prior to incurring the Subordinate Financing.
- 9. The Subordinate Financing must not provide for recourse against the Borrower or a third-party guarantee by a Borrower Principal.
- 10. The Borrower must be a single asset entity. If the Loan Documents for the Freddie Mac Mortgage do not require the Borrower to be a single asset entity, then Freddie Mac will require the Borrower to amend the Loan Documents to include such a requirement.
- 11. The Property must have an acceptable operating history and the Borrower must have an acceptable Mortgage payment history during the period the Borrower has owned the Property. No event of monetary or nonmonetary default may have occurred during the term of the Mortgage.
- 12. The Servicer's counsel must have provided a preliminary legal issues memorandum meeting the requirements of Section 6.4.

**b. Information required with a request for Freddie Mac approval of Subordinate Financing (04/13/23)**

If a Borrower requests Freddie Mac's approval of Subordinate Financing, the Servicer's package must include:

- 1. A nonrefundable review/processing fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10 (The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac when submitting the application for the Subordinate Financing. The Servicer must remit the fee by wire transfer and obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The Servicer may not charge the Borrower any additional fees for processing a request for Subordinate Financing.)
- 2. The Servicer's charge to the Borrower of a nonrefundable counsel fee of \$500 (The counsel fee is for the legal fees, expenses and costs of Freddie Mac's legal counsel, including its in-house counsel, and may exceed \$500 for complex transactions. Freddie Mac will collect the remainder of the fee, if applicable, after Freddie Mac issues the approval letter, and the Servicer must remit its payment by wire transfer. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or

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- Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.)
3. A copy of a completed General Servicing Request. The Request must include the Servicer's analysis of the Subordinate Financing along with the Servicer's recommendation for action.
  4. A copy of the signed commitment from the proposed subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and anticipated amount of annual debt service
  5. Copies of the proposed Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules and all other transaction-related information (All Subordinate Financing loan documents must be approved by Freddie Mac prior to execution.)
  6. Payment histories for any existing Subordinate Financing on the Property, including the amount of annual debt service
  7. A description of the proposed use of the Subordinate Financing proceeds
  8. Information about the proposed subordinate lender and its financial strength
  9. A Freddie Mac Annual Inspection Form (AIF) dated within 180 days. (If the most recent AIF was not conducted within the previous 180 days, the Servicer must complete and submit an AIF.) The AIF can be found at <https://mf.freddiemac.com/lenders/asset/> under PRS Assessment.
  10. An assessment by the Servicer of the Property condition, whether the funds held in the Replacement Reserve are adequate, and whether an increase in Replacement Reserve deposits and/or establishment of a Repair Reserve is required, based on the condition of the Property
  11. Current credit report on any Borrower or Guarantor that is an individual. Credit reports must comply with the requirements set forth in Chapter 55.
  12. Financial statements for the Borrower and each Key Borrower Principal. Financial statements must comply with the requirements set forth in Chapter 55.
  13. Current property financial statements meeting the requirements set forth in Chapter 55, along with Servicer's DCR and LTV analysis
  14. Current rent roll meeting the requirements set forth in Chapter 55
  15. Title update report dated no earlier than 45 days before the date of the Subordinate Financing request
  16. For all transactions in which the Borrower is a Cooperative (Co-op), an analysis of the potential impact of Subordinate Financing on the cash flow associated with any non-owner-



occupied units (The Servicer must also analyze increased maintenance fees to owner-occupied units.)

c. **Freddie Mac approval (04/30/19)**

Freddie Mac will determine whether to approve the proposed Subordinate Financing and will advise the Servicer, in writing, of that decision. The approval letter will set forth any further requirements and will notify the Servicer if any additional counsel fee is due. The Servicer must remit any additional counsel fee by wire transfer at the same time the Servicer executes and returns the approval letter to Freddie Mac to evidence its acceptance of the terms. The Servicer must obtain wire transfer instructions from *Freddie Mac Multifamily Asset Management, Borrower Transactions or Structured Transactions* as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

If Freddie Mac approves the Subordinate Financing, the Servicer must deliver any document that must be signed by Freddie Mac, including the Subordination Agreement, in accordance with the approval letter issued by Freddie Mac.

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d. **Documents required after settlement of Subordinate Financing (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy, a certified copy or an original (as noted) of the following executed Subordinate Financing documents listed below.

If the provisions of this subsection require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder or clerk delays make it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original." The Servicer must then deliver to Freddie Mac a copy of the recorded/filed original showing the required information as soon as the copy becomes available.

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- 1. Recorded Subordination Agreement (certified copy)
- 2. Subordinate note (copy)
- 3. Recorded Subordinate Financing security instrument (certified copy)
- 4. Any third-party guaranties executed in connection with the Subordinate Financing (copy)
- 5. Recorded or filed subordinate UCC financing statements (certified copy)
- 6. Settlement statement (copy)
- 7. Any new Replacement Reserve Agreement or Repair Reserve Agreement (original)
- 8. Modifications to any existing Freddie Mac Loan Documents, if required (original of any unrecorded modifications and certified copies of any recorded modifications)





9. A satisfactory endorsement to the title insurance policy covering the Freddie Mac Mortgage, effective as of the date of recordation of the security instrument for the Subordinate Financing, that insures that the lien of the Freddie Mac Mortgage is superior to the lien of the Subordinate Financing (The endorsement must also reflect the recordation of the security instrument for the Subordinate Financing and the Subordination Agreement.)

**e. Warranties (09/28/18)**

When a Servicer delivers the final Subordinate Financing documentation, the Servicer will be deemed to have made the warranties in Section 5.2, 5.4 and 5.5 as of the date of delivery to Freddie Mac of the documentation for the Subordinate Financing.

**f. Unauthorized Subordinate Financing (08/30/13)**

The Servicer must carry out Freddie Mac's instructions in dealing with proposed Subordinate Financing and must be alert to the unauthorized placement of Subordinate Financing on the Property. If the Servicer learns that unauthorized Subordinate Financing has been, or is about to be, placed on the Property, it must immediately notify Freddie Mac in writing.

**43.30 Subordinate Financing for SBL Mortgages (04/18/24)**

**a. Conditions for Freddie Mac approval of Subordinate Financing for an SBL Mortgage (06/30/16)**

For any SBL Mortgage securitized in an SBL Securitization, Subordinate Financing is permitted provided that each of the following conditions set forth below is met:

- 1. The subordinate lender is a Freddie Mac-approved Seller/Servicer at the time of origination of the Subordinate Financing.
- 2. The subordinate lender has not accepted applications from the Borrower for Subordinate Financing until after the settlement of the SBL Securitization that includes the SBL Mortgage.
- 3. If the Directing Certificateholder of the applicable SBL Securitization has the right to consent to the Subordinate Financing, the Directing Certificateholder has provided such consent within the time periods and under the conditions specified in the applicable Pooling and Servicing Agreement.
- 4. The Borrower pays all fees and other expenses of the Servicer of the SBL Mortgage required by such Servicer in connection with the Subordinate Financing.
- 5. The SBL Mortgage is not in default and is in good standing with satisfactory payment history.
- 6. The SBL Mortgage has three years or more remaining in its loan term.
- 7. The Subordinate Financing is not less than \$750,000.
- 8. The Subordinate Financing has a loan term equal to or longer than the remaining loan term of the SBL Mortgage but cannot exceed 30 years.

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9. The start of any open or par period for the Subordinate Financing begins on or after the date of any open or par period for the SBL Mortgage.
10. The combined loan amount after the making of the Subordinate Financing does not result in a Loan-to-Value (LTV) Ratio that exceeds 80 percent and the combined debt service after the making of the Subordinate Financing does not result in a Debt Coverage Ratio (DCR) that is below 1.25x, using the following to calculate the LTV and DCR:
  - The combined loan amount used to calculate the LTV must be the aggregate outstanding principal balances of all of the following:
    - The SBL Mortgage
    - Any other previously originated subordinate financing
    - The proposed loan amount of the Subordinate Financing
  - The value used to calculate the LTV is the value for the Property determined by using the as-is market value conclusion for the Property set forth in a third party current Appraisal that meets the requirements of Section 60.12.
  - When calculating the DCR and determining whether the DCR requirement has been met, the combined debt service must be the aggregate of the annual principal and interest payable on all of the following:
    - The SBL Mortgage
    - Any other previously originated subordinate financing
    - The proposed loan amount of the Subordinate Financing
  - Amortization Period: An interest only debt service calculation can only be used if the applicable loan term is full term interest only. In the case of partial interest only, the applicable amortization debt service is used even if the Mortgage is in an interest only period. For a fully amortizing Mortgage, the applicable amortization debt service must be used.
  - Interest Rate: For any Mortgage that has a fixed interest rate for its entire loan term, the debt service is calculated using the fixed interest rate then in effect. For any Mortgage that has an adjustable interest rate for any portion of its loan term and has entered into an adjustable interest rate period, debt service is calculated using the interest rate then in effect plus 100 basis points.
  - Net Operating Income (NOI) for DCR Calculation

The NOI is calculated using the year one pro forma net operating income at the Property using the direct capitalization approach concluded in a third party current Appraisal that meets the requirements of Section 60.12.



- 11. If the Borrower is required to be an SPE under the terms of the SBL Mortgage, then the Borrower's organizational documents have been amended to permit the Borrower to incur additional debt in the form of the Subordinate Financing.
- 12. The Subordinate Financing loan documents contain a cross-default provision requiring a default under the SBL Mortgage to constitute an event of default under the Subordinate Financing.
- 13. The Subordinate Financing does not provide for recourse against the Borrower or the Guarantor.
- 14. The subordinate lender has entered into Freddie Mac's Intercreditor Agreement.
- 15. The Intercreditor Agreement will be recorded in the land records of the jurisdiction in which the Property is located.
- 16. If the subordinate lender requires the Borrower to fund Reserves for taxes, insurance premiums or ground rents under the Subordinate Financing, the Servicer of the SBL Mortgage may require the collection of any such Reserves that are currently deferred under the SBL Mortgage. The collection of such Reserves under the SBL Mortgage will commence on the date that the Subordinate Financing is originated and continue for so long as the Subordinate Financing is outstanding.

If all of the conditions above are met, a subordinate lender may place one or more Subordinate Financings against the Property.

The requirements of this Section 43.30 are not to be construed to require the Servicer of the SBL Mortgage to agree to any changes to the SBL Mortgage other than to permit the Subordinate Financing to be placed against the Property and to meet the requirements of Section 43.30(a)(12).

**b. Information required with a request for Subordinate Financing (06/30/16)**

If a Borrower requests Subordinate Financing, the subordinate lender's package to the Servicer must include at a minimum:

- 1. A copy of the signed commitment from the proposed subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and amount of annual debt service.
- 2. A certification to the Servicer of the SBL Mortgage that the combined LTV/DCR requirements set forth in Section 43.30(a) have been satisfied.
- 3. Copies of the proposed Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules and all other transaction-related information.
- 4. The Intercreditor Agreement required by Section 43.30(a) executed by the subordinate lender.

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c. Approval of the Subordinate Financing (06/30/16)

The Servicer of the SBL Mortgage must verify that the requirements of Section 43.30(a) have been met, then countersign the Intercreditor Agreement and return it to the subordinate lender within five days of such verification.

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d. Documents required after settlement of Subordinate Financing (04/18/24)

The subordinate lender must electronically deliver to the Servicer of the SBL Mortgage a copy, a certified copy or an original (as noted) of the executed Subordinate Financing documents listed below.

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If the provisions of this subsection require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder or clerk delays make it impossible to effect timely delivery of a copy showing the required information, the subordinate lender may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original". The subordinate lender must then deliver to the servicer of the SBL Mortgage a copy of the recorded/filed original showing the required information as soon as the copy becomes available.

- 1. Recorded Intercreditor Agreement (certified copy)
- 2. Subordinate Financing note (copy)
- 3. Recorded Subordinate Financing security instrument (certified copy)
- 4. Loan Agreement, if applicable (copy)
- 5. Any third-party guaranties executed in connection with the Subordinate Financing (copy)
- 6. Recorded or filed subordinate UCC financing statements (certified copy)
- 7. Settlement statement (copy)
- 8. Any new replacement reserve agreement or repair reserve agreement (copy)
- 9. Modifications to any existing SBL Mortgage Loan Documents, if required (original of any unrecorded modifications and certified copies of any recorded modifications)
- 10. A satisfactory endorsement to the title insurance policy covering the SBL Mortgage, effective as of the date of recordation of the security instrument for the Subordinate Financing, that insures that the lien of the SBL Mortgage is superior to the lien of the Subordinate Financing (The endorsement must also reflect the recordation of the security instrument for the Subordinate Financing and the Intercreditor Agreement.)
- 11. A copy of third party Appraisal
- 12. Copies of environmental analysis, if applicable



e. **Unauthorized Subordinate Financing (06/30/16)**

The Servicer of the SBL Mortgage must be alert to the unauthorized placement of Subordinate Financing on the Property. If the Servicer of the SBL Mortgage learns that unauthorized Subordinate Financing has been, or is about to be, placed on the Property, it must immediately notify Freddie Mac in writing.

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43.31 **General Servicing requirements for Credit Facilities (revolving lines of credit) (06/29/17)**

NOTE: This section is not applicable to a Credit Facility with a Servicing Agreement.

If there is a conflict in terms between the Guide and the applicable Credit Agreement, then the terms used in the Credit Agreement will govern. Whenever used in this Section 43.31, the following words and phrases will have the meanings found in Section 43.31(a), below, unless the context requires otherwise.

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a. **Defined terms (06/29/17)**

- 1. **Accounting Cutoff Date.** The Accounting Cutoff Date is defined in Section 50.8.
- 2. **Borrower.** Individually or collectively, as the context may require, each person or entity identified as "Borrower" in any Credit Agreement.
- 3. **Credit Agreement.** Individually or collectively, the applicable Credit Agreement or Credit Agreements, which has/have been assigned to Freddie Mac, and/or any subsequent Credit Agreement entered into by an affiliate of the Sponsor (as defined in the Credit Agreement) and Freddie Mac (or the Servicer, to be assigned to Freddie Mac). Parties to the Credit Agreement include the Borrower and the Servicer (as "Lender").
- 4. **Credit Facility.** A revolving credit loan in a specified amount issued to the Borrower by a Servicer (as "Lender") pursuant to the Credit Agreement.
- 5. **Credit Facility Documents.** The Loan Documents, as defined in the Credit Agreement, and all other documents evidencing, securing, perfecting and governing, whether delivered now or in the future, in connection with the Credit Facility, all of which have been assigned to Freddie Mac.
- 6. **Mortgaged Property.** Individually or collectively, as the context may require, the land, improvements and fixtures defined in the Credit Agreement as the Collateral Pool Property.
- 7. **Seller.** Servicer, in its capacity as Seller under the Commitment.
- 8. **Servicing Spread.** The fee set forth in the Commitment, calculated monthly on the aggregate principal balance of the Credit Facility outstanding during the previous month.

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b. **Undertaking to Service (06/29/17)**

The Servicer will service the Credit Facility and the Credit Facility Documents in accordance with the Guide. Except as set forth in Sections 43.31(c)-(q), all references in the Guide to "Mortgage"

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or “Mortgages” will include the Credit Facility and all references in the Guide to “Loan Documents” will mean the Credit Facility Documents.

**c. Additional collateral (06/29/17)**

If any Borrower or any Proposed Borrower proposes to add additional Mortgaged Property to the Collateral Pool, then the Servicer must provide Freddie Mac with all applicable fees and materials required under the Addition of a Collateral Pool Property section of the Credit Agreement, and all documents and reports required to underwrite such additional collateral pursuant to Chapter 17.

No such addition of collateral will be effective unless and until Freddie Mac has reviewed, approved and executed the final forms of all documents to be delivered in connection with any such addition. The Servicer must collect from the Borrower all costs and expenses of Freddie Mac in connection with the addition of any such collateral, and remit those funds to Freddie Mac.

Upon delivery of the documents and fees to Freddie Mac as required under the Credit Agreement, the Servicer will have been deemed to have made to Freddie Mac all of the representations and warranties required under the Guide pertaining to a newly originated Mortgage as if the Servicer were assigning such documents to Freddie Mac pursuant to a sale of a Mortgage under the Guide, as modified by the terms of the Credit Agreement.

**d. Release (06/29/17)**

If a Borrower requests a release of a Collateral Pool Property that it is entitled to have released pursuant to the Release of a Collateral Pool Property section of the Credit Agreement, then the Servicer must provide Freddie Mac with a certification (“Servicer’s Release Certification”) at least five Business Days prior to the date on which Freddie Mac is required to effect the release, confirming each of the following to the best of the Servicer’s knowledge:

- 1. At the time of the request for such release, no Event of Default or Potential Default exists under the Credit Facility,
- 2. After giving effect to such release, no Event of Default or Potential Default exists, and
- 3. The Borrower is in compliance with the Sublimits.

If the Borrower will not be in compliance with the Sublimits absent a prepayment of the Loan, a release of a Collateral Pool Property or an addition of collateral prior to or simultaneously with the proposed release, then the Servicer’s Release Certification must:

- 1. Set forth the method by which the Borrower will cause itself to be in compliance with the Sublimits, and
- 2. Be supplemented prior to such release with a separate certification of the Servicer that the Borrower has taken all necessary action to cause itself to be in compliance with the Sublimits subsequent to the release.

Within five Business Days after any Borrower’s request for a release of a Collateral Pool Property, the Servicer must provide notice of such request to Freddie Mac. If Freddie Mac approves the Borrower’s request, then the Servicer must provide a “payoff letter” to the Borrower

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with respect to the to-be-released Collateral Pool Property pursuant to the terms of the Credit Agreement. In connection with the release of a Collateral Pool Property, the Servicer must collect from the Borrower all amounts and reasonable fees and expenses of Freddie Mac in connection with the release and deliver Freddie Mac's portion of such amounts, fees and expenses to Freddie Mac.

**e. Release of a Collateral Pool Property followed by a Securitized Loan (06/29/17)**

If the Borrower requests a release of Lender's lien on a Collateral Pool Property and a conversion to a Securitized Loan pursuant to the Credit Agreement, then the Servicer must deliver to Freddie Mac each of the following within five Business Days following the Servicer's receipt of such fees and documents:

1. A copy of the Borrower's request
2. Any fees required to be paid by the Borrower under the Credit Agreement or the Guide
3. The appropriate underwriting package and completed application required under the Guide
4. All the documents and reports required to underwrite each Collateral Pool Property proposed by the Borrower to be subject to the Securitized Loan, pursuant to Chapter 17 of the Guide (defined in the Credit Agreement as the "Underwriting Materials")

Freddie Mac will only release the lien of the Security Instrument with respect to the Collateral Pool Property in connection with a conversion upon the receipt of the Servicer's Release Certification required under above Section 43.31(c). For such a conversion to a Securitized Loan, the Servicer may collect from the Borrower and retain all fees and expenses set forth in the Credit Agreement.

**f. Annual Property valuations (06/29/17)**

Pursuant to the Valuations section of the Credit Agreement, the Servicer must, within 30 days after its receipt of the rent rolls and operating statements for the Mortgaged Properties, provide to Freddie Mac all assessments for each of the Mortgaged Properties. Freddie Mac will perform the valuation for each Collateral Pool Property, and will provide the Servicer with written notice of the results of the Valuation. If the Valuation for the Collateral Pool Properties discloses that the Market Value or Net Operating Income of any Collateral Pool Property has decreased below the previously established Market Value or Net Operating Income of such Mortgaged Property, and such reduction will cause the Borrower to be in non-compliance with the Sublimits set forth in the Credit Agreement, then within one Business Day after receipt of the Valuation from Freddie Mac, the Servicer must notify the Borrower to cure such non-compliance pursuant to the Credit Agreement.

**g. Annual Borrower and Guarantor evaluation (06/29/17)**

Annually, as prescribed in the Credit Agreement, the Servicer must notify the Borrower to deliver the items set forth in the Credit Agreement. The Servicer must deliver all such items to Freddie Mac within 30 days following receipt from the Borrower.

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**h. Material Adverse Change to Borrower or Mortgaged Property (06/29/17)**

If the Servicer receives notification from any Borrower or Freddie Mac of a Material Adverse Change affecting a Collateral Pool Property, then the Servicer must deliver to Freddie Mac a current rent roll (dated no more than 30 days prior to delivery to Freddie Mac) and a trailing 12-month operating statement for each of the Collateral Pool Properties. Following receipt of the required financial information, Freddie Mac will conduct a Valuation in accordance with the valuation requirements set forth in the Credit Agreement. If the Valuation discloses that the Market Value or Net Operating Income of the Mortgaged Property has decreased so that the Borrower fails to comply with the Sublimits of the Credit Agreement, then, within one Business Day, the Servicer must notify the Borrower to cure such non-compliance pursuant to the Credit Agreement.

If the Servicer receives notification from the Borrower or Freddie Mac or otherwise becomes aware of a Material Adverse Change affecting the Borrower or any Guarantor, then the Servicer must promptly notify Freddie Mac and must (i) collect and deliver to Freddie Mac all documents required to be provided pursuant to the Credit Agreement and (ii) in the instance of a Material Adverse Change affecting the enforceability of any Credit Agreement or any other Credit Facility Documents, collect and/or prepare, as may be appropriate, all appropriate replacement documents and opinions required pursuant to the Credit Agreement, each in form and substance acceptable to Freddie Mac, naming Freddie Mac as lender and executed by all appropriate parties.

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**i. Debt Service Coverage Ratio (06/29/17)**

The Servicer must determine and re-determine the Property/Facility DSCR when required under the Credit Agreement and change the Margin as necessary in accordance with the terms of the Credit Agreement, if applicable. If the Property/Facility DSCR determination results in a ratio below the Sublimit requirement, then the Servicer must collect from the Borrower and remit to Freddie Mac any additional payment obligations set forth in the Non-Compliance with Sublimits section of the Credit Agreement.

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**j. Loan to Value Ratio (06/29/17)**

The Servicer must determine and re-determine the Property/Facility LTV Ratio when required under the terms of the Credit Agreement. If the Property/Facility LTV Ratio determinations result in a ratio above the Sublimit requirement, then the Servicer must collect from the Borrower and remit to Freddie Mac any additional payment obligations set forth in the Non-Compliance with Sublimits section of the Credit Agreement.

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**k. Transfers (06/29/17)**

If the Borrower requests lender's consent to a Transfer, as defined in the Loan Documents, and Freddie Mac approves the Transfer, then the Servicer must collect from the Borrower and remit to Freddie Mac each of the following:

- 1. A Transfer Processing Fee in the amount set forth in the Loan Documents
- 2. The amount of Freddie Mac's out-of-pocket costs and attorney's fees incurred in reviewing the Transfer request

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3. Any Transfer Fee prescribed in the Loan Documents

**l. Monitoring of Borrower Covenants (06/29/17)**

The Servicer must monitor each Borrower’s obligations set forth in the Covenants section of the Credit Agreement, collect and review any required documentation, and immediately report to Freddie Mac any violations of those Covenants.

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**m. Expansions (06/29/17)**

If the Borrower elects to increase the amount of the Loan pursuant to the terms of the Credit Agreement, then the Servicer must do each of the following:

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- 1. Collect from the Borrower the Expansion Fee in the amount set forth in the Credit Agreement,
- 2. Retain the portion of the Expansion Fee due to the Servicer and remit to Freddie Mac the portion of the Expansion Fee due to Freddie Mac under the terms of the Credit Agreement,
- 3. Collect from the Borrower and remit to Freddie Mac the amount of Freddie Mac’s costs and expenses (including attorney’s fees) incurred in connection with such increase, and
- 4. Collect and review any required documentation evidencing the increase.

**n. Contractions (06/29/17)**

If the Borrower elects to contract the Loan pursuant to the Credit Agreement, then the Servicer must (i) collect from the Borrower and remit to Freddie Mac the amount of Freddie Mac’s costs and expenses (including attorney’s fees) incurred in connection with such contraction, and (ii) collect and review any required documentation evidencing such contraction.

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**o. Commitment fees (06/29/17)**

The Servicer will be entitled to retain its portion of each of the Addition Fees and the Expansion Fees as set forth in the Credit Agreement.

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**p. Servicing requests (06/29/17)**

For all Servicing-related Borrower requests, including Releases, Transfers, Expansions and Contractions, the Servicer must electronically deliver to Freddie Mac a written request for Freddie Mac’s approval, using the General Servicing Request Form available via [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset), attaching all applicable supporting documentation.

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**q. Credit Agreements (06/29/17)**

The Servicer must perform all other obligations required to be performed by the Servicer under the Credit Agreements and the Credit Facility Documents.

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43.32 Infrastructure Agreement Servicing Requests (04/18/24)(04/22/25)

This section applies only to Borrower consent requests with respect to Infrastructure Agreements, as defined in Section 8.22, and Solar Agreements, as defined in Section 8.21 (“Infrastructure Agreement Servicing Requests”), which may be comprised of any combination of the following:

- Leases or licenses
- Any other possessory interest in or right to occupy or control the Property
- Any option to purchase the Property or an interest in the Property
- Easements, restrictive covenants or other encumbrances
- Other covenants, conditions, restrictions, rights, profits or interests running with the land and binding upon subsequent transferees of the Property

a4-a. Permitted Infrastructure Agreements not requiring consent (04/18/24)

Infrastructure Agreements only involving licenses, personal agreements or other interests binding solely on the parties (and non-binding upon future transferees of the Property) do not fall within the meaning of Infrastructure Agreement Servicing Requests and are permitted without Freddie Mac or Servicer approval (“Permitted Infrastructure Agreements”). For example, a marketing support agreement or revocable license agreement that is a personal agreement between the Borrower and the service provider and that does not bind a subsequent transferee of the Property will not require Freddie Mac consent even if the definition of “Lease” in the Loan Agreement includes “any license.”

The Servicer must determine, in consultation with its counsel, as appropriate, whether the proposed instrument will require (Freddie Mac and/or Servicer) consent because it falls within the meaning of an Infrastructure Agreement Servicing Request, but a PLIM is not necessarily required for this preliminary determination. For example, an agreement captioned as a “license” (for which consent is not typically required) may also contain other legal terms that instead render the instrument a covenant or easement that will attach to the Property and bind subsequent owners (for which Freddie Mac and/or Servicer consent is always required). Examples include “license agreements” that (i) include express granting language, (ii) include language indicating that the instrument “runs with the land” or (iii) require substantial investment by licensee in reliance on the license.

Without preparing a PLIM, Servicer’s counsel may review the document and send an email to Servicer (with a copy to Freddie Mac at the mailbox specified below) confirming that the proposed Infrastructure Agreement constitutes a Permitted Infrastructure Agreement under this Section 43.32 (“Permitted Infrastructure Agreement Determination”). Upon receipt (and electronic delivery to Freddie Mac at the mailbox specified below) by Servicer of a Permitted Infrastructure Agreement Determination, no further action is required:

- For structured transactions, Tax Exempt Bond Credit Enhancement Mortgages, acquisition rehabilitation/lease-up/moderate rehabilitation loan products, Targeted Affordable Housing

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Mortgages or credit facilities, to [mf\\_structured\\_transactions@freddiemac.com](mailto:mf_structured_transactions@freddiemac.com)

- For all other Mortgages, to [mf\\_borrower\\_transactions@freddiemac.com](mailto:mf_borrower_transactions@freddiemac.com)

**b. Infrastructure Agreement Servicing Requests the Servicer is permitted to approve (04/18/24)**

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an Infrastructure Agreement Servicing Request only if the proposed Infrastructure Agreement meets each of the following requirements:

- It satisfies all applicable Loan Document requirements relating to the approval of easements, non-residential leases and other encumbrances
- It will not be recorded against the Property
- It will be subordinate to the lien of the Mortgage
- The Infrastructure Agreement Servicing Request does not include a request to subordinate the lien of the Mortgage or a request for the lender to enter into a non-disturbance agreement
- It is not a Solar Agreement
- The "lender" is not named as a party to, nor is it being requested to sign, the agreement or any related document
- It is compatible with the use of the Property
- It contains terms and provisions, including compensation, that are customary for the market in which the Property is located
- It does not impose on the Property owner any financial obligations equal to or greater than \$100,000
- It will not have any material adverse impact on the Property value, operations, access, income, or marketability
- If the Infrastructure Agreement Servicing Request involves a lease, the tenant is not an Affiliate of Borrower, any Borrower Principal or any Guarantor
- It does not reduce the income from any residential units or other income-producing improvements
- It does not impose any financial obligations on any mortgagee, and/or subsequent owner by foreclosure, deed in lieu of foreclosure or other conveyance (including reimbursement of any up-front fee paid by the provider to the Property owner upon termination of the agreement)
- The Servicer has not received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization

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- The Mortgage does not back a Freddie Mac Multifamily Participation Certificate, a Freddie Mac Bond Credit Enhancement transaction or a Freddie Mac tax-exempt or taxable Multifamily bond securitization
- There are no investors who have provided credit enhancements for the Mortgage other than a Seller/Servicer, the Borrower or an Affiliate of the Borrower

Generally, Freddie Mac will not require delivery of a preliminary legal issues memorandum (PLIM) for an Infrastructure Agreement Servicing Request that satisfies the above requirements; however, the Servicer may request that its counsel prepare a PLIM to confirm the requirements set forth above in this Section 43.32(b) or to address a material legal issue that Servicer has identified.

The Servicer may require the Borrower to pay or reimburse the Servicer upon demand for all costs and expenses, including all attorneys' fees and costs, incurred by the Servicer in connection with the review of the Telecommunications Agreement Servicing Request.

**c. Documentation for an Infrastructure Agreement Servicing Request not requiring Freddie Mac approval (04/18/24)**

Upon receiving an Infrastructure Agreement Servicing Request, the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is not required for Mortgages owned by Freddie Mac.
- Within 30 days after the Servicer's approval of an Infrastructure Agreement Servicing Request, the Servicer must notify Freddie Mac of any actions taken under the delegated approval by electronically delivering the Borrower's request, along with a copy of the fully executed Infrastructure Agreement.

**d. File retention requirements for an Infrastructure Agreement Servicing Request not requiring Freddie Mac approval (04/18/24)**

The Servicer must maintain a file that contains the following information relating to a delegated Infrastructure Agreement Servicing Request approval:

- Borrower's original request for approval and required information
- Evidence of the Servicer's analysis and approval of the request
- Copies of the Servicer's notification of the approval to the Borrower and Freddie Mac
- Copies of the executed Infrastructure Agreement

The Servicer must maintain the file in accordance with the requirements set forth in Section 34.4.



**e. Infrastructure Agreement Servicing Request requiring Freddie Mac approval**  
**(04/18/2404/22/25)**

For any Infrastructure Agreement Servicing Request for which the Servicer is not delegated approval authority under Section 43.32(b), the Servicer must take the following actions:

- Enter the Infrastructure Agreement Servicing Request into the Consent Request Tracker as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1 - 4 below, electronically deliver those items to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

The Servicer must deliver each of the following documents:

1. A completed General Servicing Request or Easement Request, as applicable, which must include the Servicer's analysis and recommendation for action
2. A copy of the proposed Infrastructure Agreement and any additional documents or instruments associated with the Borrower Request
3. A PLIM addressing each issue under 43.32(b) raised by the Infrastructure Agreement Servicing Request (e.g., Borrower fails to satisfy one of the applicable Loan Document requirements) and any other legal issue that Servicer determines is raised by the Infrastructure Agreement Servicing Request. In addition, if the proposed Infrastructure Agreement will not be subordinate to the lien of the Mortgage or if the Infrastructure Agreement Servicing Request includes a request for non-disturbance protection, the PLIM must also analyze the proposed instrument under Section 8.22 (Infrastructure Agreements), Chapter 29 (title policy and endorsement requirements), and if applicable, Section 8.21 (Solar Agreements), Section 43.10 (Easements), Section ~~8.11(g) (Non-Residential Leases)~~, ~~Section~~ 43.24 (Non-Residential Leases), Section 43.12 (Easement in lieu of condemnation), or other applicable Guide provisions. If Freddie Mac determines that the transaction raises legal issues (or inadequately addresses any of the Section 43.32(b) items), Freddie Mac may request a supplementary PLIM. Unless instructed otherwise, the appropriate PLIM form is the Short Form PLIM (Infrastructure Agreements) available via [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal).
4. Any other information requested by Freddie Mac

If Freddie Mac approves the Borrower request, Servicer must submit to Freddie Mac an execution-ready form of any document or instrument that must be executed by the lender. Before submitting documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to ensure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the Infrastructure Agreement or related instrument approved by Freddie Mac, including the legal description (if applicable)



For all Infrastructure Agreement Servicing Requests that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer must remit to Freddie Mac 50 percent of the review fee, if any, and may retain the remaining 50 percent. The Servicer may not charge the Borrower any additional fees for processing an application for approval of an Infrastructure Agreement Servicing Request.

At the time of delivery of the Borrower request to Freddie Mac, the Servicer must remit to Freddie Mac the Freddie Mac portion of any review fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Multifamily Asset Management, Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

NOTE: Review fees for Infrastructure Agreement Servicing Request are only payable under rare circumstances (such as an easement request for a Loan originated prior to July 1, 2014).

**f. Recordation of an Infrastructure Agreement requiring Freddie Mac approval (04/18/24)**

If applicable, Servicer must comply with all local recording requirements and arrange for recordation of the Infrastructure Agreement and any other applicable document at no cost to Freddie Mac.

**g. Required documentation for an Infrastructure Agreement Servicing Request requiring Freddie Mac approval (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy of:

- The final, executed Infrastructure Agreement and any related document or instrument executed in connection with the Infrastructure Agreement Servicing Request
- Any other document required by the Freddie Mac approval letter.

**43.33 Deadlines in Article I (Key Loan Terms) and Exhibits and Riders to the Loan Agreement (10/20/22)**

Article I and Exhibits and Riders to the Loan Agreements may contain deadlines for various loan requirements that the Borrower must address. Servicers must notify Borrowers of these deadlines. Freddie Mac's Property Reporting System (PRS) is a tool for Servicers to identify such loan requirements and deadlines. If a deadline extension is needed, then 10 Business Days prior to the deadline, Servicers must submit an extension request to Freddie Mac via Document Management



System (DMS) and Consent Request Tracker (CRT), and update PRS Loan Item Tracking (LIT) regarding submitted extension requests.

**43.34 Reporting of Property and Borrower news and events (04/18/24)**

If the Seller/Servicer becomes aware of any news articles or recent events within the last 12 months that could reflect adversely upon the Borrower, any Borrower Principal or the Property, the Seller/Servicer must report such information within five Business Days to Freddie Mac via email at MF\_Loan\_Compliance@freddiemac.com.

**43.35 Nonstandard processing fees payable by borrower in Loan Documents (02/27/25)**

For other types of Lender review and/or processing fees identified as “Nonstandard Processing Fees” on Exhibit 10, the Servicer must charge the Borrower the fee in the amount specified in the Loan Documents to cover such review and/or processing.

The Servicer must remit to Freddie Mac 50 percent of such fee and may retain the remaining 50 percent.

The Servicer must remit the fee by wire transfer and obtain wiring instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number in its fee remittance.

The Servicer may not charge the Borrower any additional fees in connection with the related request.

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# Multifamily Seller/Servicer Guide

## Chapter 44

### Delinquency, Default and Loss Mitigation Strategies



#### 44.1 Overview (12/14/23)

#### 44.2 Monetary defaults (Delinquencies) (12/14/23)

- a. Contact with the Borrower (12/14/23)
- b. Reporting to Freddie Mac (12/14/23)

#### 44.3 ~~Non-monetary defaults and adverse matters (12/14/23)~~ Non-monetary defaults and adverse matters (04/22/25)

#### 44.4 Property condition considerations (12/14/23)

#### 44.5 Enforcement actions – roles of Servicer and Freddie Mac (12/14/23)

- a. Servicer involvement and reporting (12/14/23)
- b. Servicer responsibilities (12/14/23)
- c. Legal representation (12/14/23)

#### 44.6 Enforcement actions - workouts (12/14/23)

#### 44.7 Enforcement actions – foreclosure and receivership (12/14/23)

- a. Role of Servicer and Freddie Mac (12/14/23)
- b. Appointment of receiver and/or managing agent (08/30/13)
- c. Demand and acceleration (12/14/23)

#### 44.8 Servicing during enforcement action (12/14/23)

- a. Third party report reimbursement (12/14/23)
- b. Establishment of bid amount (06/30/15)
- c. Reimbursement of costs advanced by Servicer (12/14/23)



## 44.1 Overview (12/14/23)

Chapter 44 sets out requirements for Servicers with respect to Borrowers who have failed to comply with the provisions of the applicable Loan Documents, whether such noncompliance consists of either or both of the following:

- Failure to pay principal and interest and/or Reserves when due (referred to as a monetary default or a Delinquency)
- Failure to comply with other requirements of the Loan Documents (other default)

## 44.2 Monetary defaults (Delinquencies) (12/14/23)

The Servicer must react quickly and diligently when the Borrower is not promptly paying all Mortgage installments when due.

The Servicer must treat each Delinquency individually, based on its knowledge of the Borrower, the location and type of Property, and the extent and circumstances of the Delinquency.

### a. Contact with the Borrower (12/14/23)

The Servicer must contact the Borrower by telephone, in person or in writing (including via email) on or before the 10th day after a payment is due and remains unpaid, without regard to any grace period, to ascertain the reason for the nonpayment and the Borrower's intentions to cure.

When contacting a delinquent Borrower, the Servicer must try to obtain, if not already provided by Borrower, the following documents:

- A current rent roll, with the names of all tenants, the amount of rent for each unit, the date to which rent has been paid and the details of all leases
- The prior year's income and expense statement
- A year-to-date income and expense statement
- Financial statements from any Guarantor(s)

The Servicer must contact the Borrower immediately if the Borrower does not make required payments or other cures when promised. If the Borrower does not cure a Mortgage Delinquency when promised, the Servicer must notify *Multifamily Loan Accounting* in writing within two Business Days after the missed deadline.

### b. Reporting to Freddie Mac (12/14/23)

#### 1. Monthly report of Delinquencies and Foreclosures

Every Servicer must submit a Monthly Report of Delinquencies and Foreclosures via myOptigo<sup>SM</sup> for Investor Reporting. The Servicer must transmit the report even if the Servicer has no delinquent Mortgages or Mortgages in foreclosure.

The Servicer must perform the automated transmission of the Monthly Report of Delinquencies and Foreclosures via myOptigo for Investor Reporting by 3:00 p.m. Eastern time on the third Business Day of each month. The Servicer is responsible for ensuring the accuracy and integrity of the data submitted to Freddie Mac. Transmissions must be usable, accurate and timely. For details on the applicable programming requirements and transmission instructions, the Servicer must contact *Multifamily Loan Accounting*.

The Servicer must fulfill all Freddie Mac requests for further information regarding the Delinquency within three Business Days after the request.

2. Multifamily Delinquency reporting noncompliance fees

Freddie Mac may assess Delinquency reporting noncompliance fees against the Servicer if the Servicer fails to provide timely, complete and accurate reports. Any Servicer that fails to comply with the reporting requirements set forth in this section is subject to the following Delinquency reporting noncompliance fees:

Fee type	Cause/description	Amount
Delinquency	Late, omitted or unusable monthly Mortgage Delinquency reporting data	1 <sup>st</sup> month - \$250
		2 <sup>nd</sup> month - \$550
		3 <sup>rd</sup> month - \$1,000
		Each additional month - \$1,000

Freddie Mac will assess only one Delinquency reporting noncompliance fee per month regardless of the number of violations that occur in that month. Freddie Mac will send the Servicer a written notification of each violation. Fees are due to Freddie Mac no later than the fifth Business Day after the first accounting cutoff date following the missed reporting due date specified in such notice. The Servicer must remit the fee using the myOptigo® Servicer Remittance system described in Section 53.7. The cash statement for the accounting cycle in which the fee is due will reflect the fee.

44.3 Non-monetary defaults and adverse matters (~~12/14/23~~04/22/25)

The Servicer must notify *Multifamily Asset Management*, ~~Borrower Transactions~~ by email at ~~MF\_Borrower\_Transactions@freddiemac.com~~[MF\\_surveillance@freddiemac.com](mailto:MF_surveillance@freddiemac.com) within two Business Days following the Servicer’s discovery or receipt of notification of any of the following conditions with respect to a Mortgage or a Property:

- 1. Any lien that attains or may attain priority over the Mortgage lien
- 2. Any subordinate lien that is placed on the Property without Freddie Mac’s prior consent (The Servicer must also follow the procedures in Section 41.9 regarding a subordinate lien.)
- 3. Any state insolvency or federal bankruptcy proceeding in which a Borrower or Guarantor is seeking relief or in which an involuntary petition has been filed against a Borrower or Guarantor



4. Deterioration, waste or lack of repair of the Property
5. A catastrophic event affecting the Property
6. The presence of an environmental problem on the Property
7. A material and imminent Life Safety Hazard on the Property
8. A serious building code violation or similar citation involving the Property
9. Vacancy or collection loss that materially impairs the value of the Property
10. Any event that materially adversely affects the credit or managerial ability of the Borrower
11. Litigation involving the Property that may adversely affect its value or the lien of the Mortgage
12. Termination or reduction of insurance coverage for the Borrower or the Property
13. Any evidence that the Borrower has transferred ownership or management of the Property without Freddie Mac's prior approval (The Servicer must also follow the procedures in Section 41.9 regarding an unauthorized transfer of the Property or an interest in a Borrower entity.)
14. Any other default under the terms of the Loan Documents
15. Any other situation, including adverse publicity, that may have an adverse impact on the Mortgage or the Property

If any of these conditions arise, the Servicer must maintain complete and accurate records of the circumstances, including any evidence necessary to support enforcement action based on the defaults under the Loan Documents described above or other action against the Borrower. When notifying Freddie Mac of any of the defaults or adverse matters listed in this section, the Servicer must also advise Freddie Mac in writing of relevant surrounding facts.

#### **44.4 Property condition considerations (12/14/23)**

When assessing an appropriate asset resolution strategy with respect to Borrower noncompliance or other Property issues identified in this chapter, Freddie Mac emphasizes imminent life and safety matters affecting the tenants' wellbeing and the condition of the Property as well as preserving the collateral serving as security for the Mortgage. The Servicer must be alert to such issues and report them promptly to Freddie Mac.

#### **44.5 Enforcement actions – roles of Servicer and Freddie Mac (12/14/23)**

##### **a. Servicer involvement and reporting (12/14/23)**

Freddie Mac will direct all enforcement action with respect to a Mortgage default or Delinquency. The Servicer must carry out Freddie Mac's instructions and work closely with Freddie Mac in handling enforcement actions. When delaying protective action might result in impairment of the Property or the lien of the Mortgage, the Servicer must immediately notify *Multifamily Surveillance* of the situation.



Upon the occurrence of a default or Delinquency or at the request of Freddie Mac, the Servicer must provide a default analysis to *Multifamily Asset Resolution* containing the items listed below and fulfill all other requests by Freddie Mac for further information within ten days after any such request.

1. Form 1101, Legal Referral Form

The Form must include the current, verified, address and other contact information for each of the following:

- Borrower
  - Borrower Principals, including general partner, or managing member, or president
  - Guarantor or individual with liability for Mortgage amounts,
2. A summary of any oral communications with the Borrower regarding the Delinquency
3. A copy of written correspondence about the Delinquency between the Servicer and the Borrower
4. A written analysis of any Reserves or any other form of Custodial Account, with current balances (The amounts paid for the most recent annual taxes and annual insurance premiums and the next required payment dates must also be provided.)
5. The Borrower's payment history for the Mortgage
6. A list of any Freddie Mac Mortgages related to the Borrower or Affiliates of the Borrower that are 30 days delinquent or have been 30 days delinquent in the last 12 months
7. A general financial analysis of the current Property operations
8. A Servicer's certificate regarding OFAC/FHFA SCP compliance regarding the Borrower and any Borrower Principals or Non-U.S. Equity Holders (See Section 41.1(d) and 41SBL.1(d) for a description of the certificate.)

**b. Servicer responsibilities (12/14/23)**

It is the Servicer's responsibility to act in the most timely, efficient and responsible manner to protect the interests of Freddie Mac. The Servicer must exercise diligence to prevent any losses.

Freddie Mac will advise the Servicer who will manage enforcement actions and provide instruction for any protective action if needed.

During the enforcement period, Freddie Mac may require the Servicer to provide such items as arrearage calculations, prior property inspections, original Loan Documents and recommendations for action. The Servicer must assist Freddie Mac when necessary to obtain third-party property inspections, title reports, title endorsements, Uniform Commercial Code (UCC) searches and



recorded documents in connection with any enforcement action. Freddie Mac may also require the Servicer to conduct a current property inspection.

**c. Legal representation (12/14/23)**

Counsel selected by Freddie Mac will conduct the legal representation of Freddie Mac in connection with any actions in response to Delinquencies and defaults. Freddie Mac will supervise the conduct of litigation and other actions. If the Servicer retains its own legal counsel in connection with the matters described in this section, the fees and expenses of such counsel will be the obligation of the Servicer and not of Freddie Mac.

**44.6 Enforcement actions – workouts (12/14/23)**

The Servicer must refer all Borrower written requests for any type of workout, including Mortgage modifications or repayment plans, to *Multifamily Asset Resolution*. Freddie Mac will negotiate the workout plan, have all necessary documents prepared, and notify the Servicer of any changes to the Mortgage.

**44.7 Enforcement actions – foreclosure and receivership (12/14/23)**

**a. Roles of Servicer and Freddie Mac (12/14/23)**

Freddie Mac or Freddie Mac retained counsel will commence and pursue any receivership or foreclosure action. To ensure prompt and efficient completion of the foreclosure proceedings, Freddie Mac expects the Servicer to work closely with the foreclosure attorney, trustee or substitute trustee selected by Freddie Mac. Such services may include the following:

1. Having appropriate officers of the Servicer appear as witnesses in discovery or court proceedings
2. Providing reports and documentation to be used in the receivership or foreclosure proceeding
3. Executing pleadings and affidavits

**b. Appointment of receiver and/or managing agent (08/30/13)**

Freddie Mac reserves the right to seek the appointment of a receiver and/or managing agent for the Property. The fee for the receiver and/or managing agent will ordinarily be paid from income generated from the Property. If the income generated from the Property is not sufficient to pay all normal operating expenses (including the fee for the services of the receiver and/or managing agent), the Servicer must, when requested by Freddie Mac, advance funds as and when necessary to pay that deficit. Freddie Mac will reimburse advances made by the Servicer in accordance with Section 45.3(b). However, for Delegated TAH Mortgages, any such advances are governed by the Seller/Servicer's Delegated TAH Master Agreement.

**c. Demand and acceleration (12/14/23)**

If Freddie Mac determines to pursue a foreclosure action, Freddie Mac will prepare and send the demand and acceleration letters to the Borrower, unless Freddie Mac provides other instructions to the Servicer.



## 44.8 Servicing during enforcement action (12/14/23)

### a. Third party report reimbursement (12/14/23)

With the approval of Freddie Mac, the Servicer will advance the cost of any required Appraisal, environmental assessment or property condition report. Except for Delegated TAH Mortgages, Freddie Mac will reimburse the Servicer in accordance with Section 45.3(b).

### b. Establishment of bid amount (06/30/15)

The Servicer must provide the UPB, arrearages, advances, default interest and/or late charges, Yield Maintenance or other breakage fee, Form 104, Loan and Real Estate Owned (REO) Expenses and Income, and all other amounts necessary to compute the total Mortgage debt to Freddie Mac upon request. Freddie Mac will determine the amount of the bid at a foreclosure sale and the bid will be entered by Freddie Mac's employee, its representative, or the attorney handling the foreclosure sale.

### c. Reimbursement of costs advanced by Servicer (12/14/23)

The Servicer must request in writing and receive approval from Freddie Mac before incurring any expense reimbursable under this section. The Servicer must attach to its approval request a copy of the Reserve and suspense account balances with a description of the source and reason for any suspense account funds.

All fees and expenses discussed in this section that are approved by Freddie Mac, including the cost of the legal counsel selected by Freddie Mac, must be billed to and paid by Freddie Mac. The Servicer must seek all reimbursements in accordance with the provisions of Section 45.3.

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<b>Changes:</b>	
<u>Add</u>	5
<u>Delete</u>	6
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	11



# Multifamily Seller/Servicer Guide

## Chapter 46SBL

### SBL Collateral, Repurchase and Loss Obligations



#### 46SBL.1 Overview (08/18/22)

#### 46SBL.2 SBL Collateral requirements – establishment, use and replenishment (02/16/23)

- a. SBL Collateral Requirements – Cash (02/16/23)
- b. SBL Collateral Requirements – Letter of Credit (02/16/23)

#### 46SBL.3 Secondary Market Transaction (08/18/22)

#### 46SBL.4 ~~Repurchase Obligations (08/18/22)~~Repurchase Obligations (04/22/25)

- a. Applicability of Repurchase Obligations (08/18/22)
- b. Ineligible for Securitization (08/18/22)
- c. ~~Monetary default (08/18/22)~~Monetary default (04/22/25)
- d. Non-monetary default (08/18/22)
- e. Repurchase Period (08/18/22)
- f. Notice of repurchase event (08/18/22)
- g. Repurchase determination and notification to Seller/Servicers (08/18/22)
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#### 46SBL.5 ~~Repurchase Options (08/18/22)~~Repurchase Options (04/22/25)

- a. ~~During Repurchase Period (08/18/22)~~During Repurchase Period (04/22/25)
- b. ~~Following the Repurchase Period and Prior to an SBL Mortgage Default (08/18/22)~~Following the Repurchase Period and Prior to an SBL Mortgage Default (04/22/25)
- c. ~~Following an SBL Defaulted Mortgage Determination (08/18/22)~~

#### 46SBL.6 Loss Obligation (08/18/22)

- a. SBL Loss Obligation (08/18/22)
- b. Loss Obligation Period (08/18/22)
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- d. SBL Loss Obligation Calculation (09/28/18)
- e. Loss Statement (08/18/22)
- f. Interim SBL Loss Information Statement (08/18/22)
- g. REO Property Repurchase Option (08/18/22)

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**46SBL.1 Overview (08/18/22)**

This chapter describes the collateral, repurchase and loss determination requirements for SBL Mortgages originated under the SBL Purchase Product as described in Chapter 18SBL. In this chapter, the term “Servicer” will refer to the applicable SBL Seller/Servicer in its role as Servicer of an SBL Mortgage.

**46SBL.2 SBL Collateral requirements – establishment, use and replenishment (02/16/23)**

Each Seller/Servicer must post \$5 million in collateral, either in cash or a letter of credit (“SBL Collateral”), to ensure that it can meet its obligations to Freddie Mac described in this Chapter 46SBL (collectively, the “SBL Obligations”). The SBL Collateral must be posted within 30 days after the Seller/Servicer’s approval as an SBL Seller/Servicer. Freddie Mac will not accept an underwriting package or rate lock an SBL Mortgage prior to the Seller/Servicer’s posting of the SBL Collateral.

If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation as provided in this Chapter 46SBL, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

If Freddie Mac withdraws funds from the SBL Cash Collateral Account (defined below) or draws on the Letter of Credit – SBL (defined below) in accordance with this Section 46SBL.2, then Freddie Mac will notify the Seller/Servicer of such action in writing. Within three Business Days following the Seller/Servicer’s receipt of such notice, it must wire funds to the designated SBL Cash Collateral Account or provide an additional Letter of Credit – SBL, as applicable, to Freddie Mac in an amount sufficient to ensure that the Seller/Servicer continues to satisfy the SBL Collateral requirement specified in this Section 46SBL.2.

**a. SBL Collateral Requirements – Cash (02/16/23)**

If the Seller/Servicer satisfies the SBL Collateral requirement with cash, then all the following requirements apply:

- The Seller/Servicer must remit a cash collateral fee to Freddie Mac in the amount of \$50,000 (“Cash Collateral Fee”) by wire transfer prior to establishment of the SBL Cash Collateral Account described below. The Seller/Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Counterparty Risk & Compliance*. The Seller/Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Seller/Servicer name, Seller/Servicer number and the Freddie Mac contact person.
- The Cash Collateral Fee is non-refundable. However, the Cash Collateral Fee will be returned to the Seller/Servicer if the Seller/Servicer subsequently determines that it will satisfy the SBL Collateral requirement in the form of a letter of credit instead, and the change to a letter of credit is made:
  - Prior to the establishment of the SBL Cash Collateral Account, and
  - Within 30 days after the Seller/Servicer’s approval as an SBL Seller/Servicer



- The Seller/Servicer must deposit the SBL Collateral in an account for the benefit of Freddie Mac (“SBL Cash Collateral Account”).
- Although the SBL Cash Collateral Account is not a Custodial Account, it is subject to the requirements of Chapter 52 pertaining to Custodial Accounts (as modified by this Chapter 46SBL), including recordkeeping and reporting requirements.
- The Seller/Servicer must establish the SBL Collateral Account with a depository institution that (A) is neither the Seller/Servicer or an affiliate of the Seller/Servicer, (B) meets the eligible depository requirements of Section 52.2(3), and (C) that is otherwise acceptable to Freddie Mac.
- The SBL Cash Collateral Account must be designated exactly as shown in one of the following:
  - “(Name of Seller/Servicer) – Freddie Mac SBL Cash Collateral Account”
  - “Freddie Mac SBL Cash Collateral Account – (Name of Seller/Servicer)”
- Interest earned on the SBL Cash Collateral Account, if any, less the fees and expenses for establishing and maintaining the account, will accrue and be applied to the SBL Cash Collateral Account.
- In lieu of the requirements of Section 52.6, the Seller/Servicer must deliver to Freddie Mac each of the following documents governing the SBL Cash Collateral Account (in a form and substance acceptable to Freddie Mac):
  - An SBL Cash Collateral Pledge, Security and Custody Agreement among the Seller/Servicer, the depository institution and Freddie Mac.
  - If required by the depository institution, a deposit account control agreement or similar agreement.

**b. SBL Collateral Requirements – Letter of Credit (02/16/23)**

1. If the Seller/Servicer satisfies the SBL Collateral requirement by providing a letter of credit, then all the following requirements apply:
  - The Seller/Servicer must deliver to Freddie Mac a letter of credit in an amount equal to the SBL Collateral requirement and otherwise satisfying the requirements of this Section 46SBL.2(b) (“SBL Letter of Credit”).
  - The SBL Letter of Credit is subject to the requirements of Section 11.2 pertaining to letters of credit, as modified by this Chapter 46SBL.
  - The required forms of the SBL Letter of Credit and Form 921, Letter of Credit Certification – SBL, are available at [mf.freddiemac.com](http://mf.freddiemac.com).
  - Each time a new Letter of Credit – SBL (or an amendment to an existing Letter of Credit – SBL) is required, the Seller/Servicer must deliver the original Letter of



Credit – SBL (or any amendment to an existing Letter of Credit – SBL) to Freddie Mac together with a Form 921, Letter of Credit Certification – SBL, and an opinion of issuer’s counsel approved by the applicable Freddie Mac *Multifamily Attorney*.

- All documentation required under this Section 46SBL.2(b) must be delivered to *Multifamily Counterparty Risk & Compliance*.
  - If the Seller/Servicer is replacing an SBL Cash Collateral Account with an SBL Letter of Credit, the Seller/Servicer must contact *Multifamily Counterparty Risk & Compliance* at least 60 days prior to the anticipated replacement date for complete requirements related to the replacement.
2. In addition to Freddie Mac’s right to draw upon the Letter of Credit – SBL, if the Seller/Servicer fails to timely meet its SBL Obligations as described in Section 46SBL.2, Freddie Mac may also draw upon the Letter of Credit – SBL for any of the following reasons:
- The Seller/Servicer fails to provide Freddie Mac with a renewal or replacement of the Letter of Credit – SBL at least 30 days prior to the expiration of the Letter of Credit – SBL.
  - The Letter of Credit Issuer ceases to be an Eligible Institution.

These reasons, individually and collectively, are an “Expiration or Non-Eligible Institution Draw Trigger.”

If Freddie Mac draws on a Letter of Credit – SBL following the occurrence of an Expiration or Non-Eligible Institution Draw Trigger, Freddie Mac will deposit the proceeds of the draw into a Freddie Mac account until the Seller/Servicer establishes an SBL Cash Collateral Account in accordance with the requirements set forth in Section 46SBL.2(a). The proceeds of the Letter of Credit – SBL held in the Freddie Mac account are SBL Collateral. If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

**46SBL.3 Secondary Market Transaction (08/18/22)**

Freddie Mac intends to include the SBL Mortgages as assets of a Secondary Market Transaction. “Secondary Market Transaction” means: (i) any sale or assignment of the Loan Agreement, the Note and the other Loan Documents to one or more investors as a whole loan, (ii) a participation of the SBL Mortgage to one or more investors, (iii) any deposit of the Loan Documents with a trust or other entity which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or other entity, (iv) any other sale, assignment or transfer of the SBL Mortgage or any interest in the SBL Mortgage to one or more investors, or the use of the SBL Mortgage as part of any transaction’s reference pool.



**46SBL.4 Repurchase Obligations (08/18/2204/22/25)**

The Seller/Servicer must repurchase an SBL Mortgage if that SBL Mortgage is (i) deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization, as described in Section 46SBL.4(b) and/or (ii) the subject of a monetary or nonmonetary default described in Sections 46SBL.4(c) and 46SBL.4(d) (collectively, the “SBL Repurchase Obligations”) and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage as described in Section 46SBL.4(g).

**a. Applicability of Repurchase Obligations (08/18/22)**

The SBL Repurchase Obligations only apply if the underlying event giving rise to the SBL Repurchase Obligation occurs during the SBL Repurchase Period, as described in Section 46SBL.4(e).

The SBL Repurchase Obligations apply notwithstanding that the Seller/Servicer may have endorsed any SBL Mortgage Note or other Loan Document to Freddie Mac “without recourse.”

The SBL Repurchase Obligations do not limit or otherwise impair Freddie Mac’s ability to enforce its rights against the Seller/Servicer identified elsewhere in this Guide.

**b. Ineligible for Securitization (08/18/22)**

1. **Qualified Mortgage.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if the SBL Mortgage is not a “Qualified Mortgage.” For the purpose of this Section 46SBL.4(b), a Qualified Mortgage is a mortgage that is “principally secured” by an interest in real property, and “principally secured” means that the fair market value of the real property collateral for the SBL Mortgage is at least 80 percent of the outstanding principal balance of the SBL Mortgage (or a loan-to-value ratio of 125 percent or less), tested both as of the Origination Date and when the SBL Mortgage is put into the applicable securitization.
2. **Condemnation Valuation.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if any portion of the Property is released from the lien of the SBL Mortgage in connection with a Condemnation (as defined in the Loan Agreement) and the ratio of (i) the unpaid principal balance of the SBL Mortgage to (ii) the value of the Property (taking into account only the related land and buildings and not any personal property or going-concern value), as determined by Freddie Mac in its sole and absolute discretion based on a commercially reasonable valuation method permitted in connection with a securitization, is greater than 125 percent immediately after the Condemnation and before any Restoration (as defined in the Loan Agreement) or repair of the Property (but taking into account any planned Restoration or repair of the Property as if such planned Restoration or repair were completed).

If Freddie Mac enforces an SBL Repurchase Obligation with respect to an SBL Mortgage for this reason, Freddie Mac will credit to the Seller/Servicer any net proceeds or awards from such Condemnation received by Freddie Mac, less any costs and expenses incurred by Freddie Mac in connection with the Condemnation and the Repurchase.



c. **Monetary default** (~~08/18/22~~04/22/25)

As of March 30, 2020, the Seller/Servicer is subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for failure to pay or deposit when due any amount required by the Loan Documents (“Required Loan Payment(s)”) when the Required Loan Payment has been delinquent for the period of time specified in the chart below (“Delinquency Period”):

Delinquency Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages
Applicable Delinquency Period*	120 consecutive days beginning on the date the Required Loan Payment following the end of the forbearance period was due	60 consecutive days beginning on the date the Required Loan Payment was due	60 consecutive days beginning on the date the Required Loan Payment was due <u>(a “60 Day Delinquency”)</u>
*Calculated without considering any grace or cure period that may be applicable to the Required Loan Payment in the Loan Documents.			

d. **Non-monetary default** (~~08/18/22~~)

The Seller/Servicer is also subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for any of the following non-monetary “Events of Default” described in the Loan Agreement for that SBL Mortgage (“Non-Monetary Defaults”):

- Section 9.01(d) or Section 8.01(b) (fraud, material misrepresentation or material omission)
- Section 9.01(f) or Section 8.01(g) (transfers that violate the provisions of Article VII of the Loan Agreement, including liens on the Mortgaged Property)
- Section 9.01(g) or Section 8.01(h) (forfeiture proceeding)
- Section 9.01(j and n) or Section 8.01(i and j) (uncured defaults(s) under other lien(s) on the Mortgaged Property)
- Section 9.01(k) or Section 8.01 (l and m) (bankruptcy, insolvency and related matters)
- Section 9.01(p) or Section 8.01(n) (Guarantor bankruptcy)



Note that references above to Loan Agreement Sections 9.01 apply to Mortgages with Loan Agreements that have a form revision date prior to 11/02/15.

**e. Repurchase Period (08/18/22)**

As of March 30, 2020, the repurchase period for Seller/Service’s SBL Repurchase Obligations begins on the Origination Date of the SBL Mortgage and remains in effect until the earlier to occur of the events set forth in Sections 46SBL.4(e)(1) through (4) (collectively, the “Repurchase Period”).

- 1. The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.
- 2. The last day of the applicable initial Repurchase Period specified in the chart in Section 46SBL.4(e)(3) below (“Initial Repurchase Period”) unless one of the following conditions is applicable:
  - (A) Freddie Mac has provided a Repurchase Notice to the Seller/Service for the SBL Mortgage, as set forth in 46SBL.4(g) and the SBL Mortgage repurchase has not been completed, in which case the Repurchase Period for the SBL Mortgage is extended until the repurchase has been completed.
  - (B) An Extended Repurchase Period Trigger has occurred as provided in subsection 46SBL.4(e)(3).
- 3. The last day of the applicable extended Repurchase Period specified in the chart below (“Extended Repurchase Period”) if any of the following conditions are applicable (each an “Extended Repurchase Period Trigger”):
  - (A) Borrower fails to make any Required Loan Payment during the final three months of the Initial Repurchase Period.
  - (B) Funds from the COVID-19 Debt Service Reserve, if applicable, are used to make any Required Loan Payment during the final three months of the Initial Repurchase Period.
  - (C) An event that could trigger a Repurchase Obligation has occurred and is continuing at the expiration of the Initial Repurchase Period.

If Freddie Mac has provided a Repurchase Notice to the Seller/Service for an SBL Mortgage during the Extended Repurchase Period, the Repurchase Period for that SBL Mortgage is extended until the repurchase has been completed.

Repurchase Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages

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Repurchase Period			
<b>Initial Repurchase Period</b>	12 months from the Origination Date of the SBL Mortgage <u>plus</u> the number of months for which the SBL Mortgage receives forbearance	12 months from the Origination Date of the SBL Mortgage	12 months from the Origination Date of the SBL Mortgage
<b>Extended Repurchase Period*</b> *When subject to an Extended Repurchase Period Trigger	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period

4. The occurrence of a Secondary Market Transaction Standstill Event (as defined below) unless one of the following is applicable:
- (A) If Seller/Servicer is subject to a Repurchase Obligation during any applicable Repurchase Period and such Repurchase Obligation is in effect prior to the Secondary Market Transaction Standstill Event, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage.
  - (B) If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during any applicable Repurchase Period, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage until the repurchase has been completed.

A “Secondary Market Transaction Standstill Event” will be deemed to be in effect when one of the following occurs:

- i. Either the Federal Housing Finance Agency (FHFA), the U.S. Department of Treasury (Treasury), any successor to the FHFA or Treasury, or any other conservator or regulator with authority over Freddie Mac directs Freddie Mac to stop including SBL Mortgages as assets of a Secondary Market Transaction, and as a result, Freddie Mac has not included any SBL Mortgages as part of a Secondary Market Transaction for 30 consecutive calendar days.





- ii. Freddie Mac has declined to or is unable to include SBL Mortgages as assets of a Secondary Market Transaction for 120 consecutive calendar days for any reason other than the reasons set forth in Section 46SBL.4(e), subsection 4(i) above.

**f. Notice of repurchase event (08/18/22)**

Within five Business Days following its discovery of the occurrence of a 60 Day Delinquency or a Non-Monetary Default, the Seller/Servicer will provide Freddie Mac written notice of the occurrence of such event. If Freddie Mac discovers the occurrence of a 60 Day Delinquency or a Non-Monetary Default, Freddie Mac will provide written notice to the Seller/Servicer of such event.

**g. Repurchase determination and notification to Seller/Servicers (08/18/22)**

If an SBL Mortgage is subject to an SBL Repurchase Obligation during a Repurchase Period and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage ("SBL Repurchase Mortgage"), Freddie Mac will provide written notice to the Seller/Servicer of such election ("Repurchase Notice").

The Seller/Servicer must purchase the SBL Repurchase Mortgage from Freddie Mac no later than 10 Business Days after its receipt of a Repurchase Notice from Freddie Mac ("Mandatory Repurchase Date") by paying to Freddie Mac the Repurchase Price, which is described in Section 46SBL.4(h)(1).

Until the Seller/Servicer's repurchase of an SBL Repurchase Mortgage, Freddie Mac, in its sole discretion, will direct and control any loss mitigation activities with respect to the SBL Repurchase Mortgage.

**h. Repurchase requirements (08/18/22)**

1. **Repurchase Price.** The "Repurchase Price" is the sum of the following amounts as of the date specified in the Repurchase Notice:
  - The unpaid principal balance of the SBL Repurchase Mortgage as of the anticipated date of repurchase (payoff)
  - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment (as described in Chapter 50) through the day before the anticipated repurchase
  - Any amounts advanced by Freddie Mac in connection with the SBL Repurchase Mortgage for which Freddie Mac has not been reimbursed
2. **Repurchase Expenses.** The Seller/Servicer will be responsible for all expenses payable in connection with the transfer of the SBL Repurchase Mortgage to the Seller/Servicer, including all documentary stamp taxes, recording fees, title insurance fees, transfer taxes and legal fees ("Repurchase Expenses").
3. **Repurchase Statement.** The Repurchase Notice will include an informational statement listing the Repurchase Price information described in Section 46SBL.4(h)(1)



above, as well as any Repurchase Expenses owed to Freddie Mac. It will also include the Freddie Mac account information required for the Seller/Servicer's wire transfer and any Repurchase Expenses incurred by Freddie Mac ("Repurchase Statement").

- 4. **Completion of Repurchase.** An SBL Repurchase Obligation with respect to an SBL Repurchase Mortgage will not be satisfied until the Seller/Servicer has satisfied the remittance and reporting requirements of Chapters 53 and 54 with respect to the repurchase.
- 5. **Repurchase Obligation Default.** If the Seller/Servicer fails to repurchase the SBL Repurchase Mortgage by the Mandatory Repurchase Date ("Repurchase Obligation Default"), in addition to the Repurchase Price, Repurchase Expenses, and any other rights and remedies Freddie Mac may have with respect to the Seller/Servicer under the Guide (including suspension or termination of selling and servicing rights), Freddie Mac may charge the Seller/Servicer an interest reimbursement fee as provided in Section 53.11.

Following a Repurchase Obligation Default, Freddie Mac will recalculate the Repurchase Price, determine whether additional amounts are due, and provide the Seller/Servicer with a revised Repurchase Statement.

If the Seller/Servicer fails to repurchase an SBL Repurchase Mortgage within 10 Business Days following Freddie Mac's transmission of a revised Repurchase Statement to the Seller/Servicer, in addition to the Repurchase Price and all other amounts due to Freddie Mac under this Section 46SBL.4(h)(5), the Seller/Servicer will become obligated to Freddie Mac for all SBL Losses (as defined in Section 46SBL.6) with respect to the SBL Repurchase Mortgage.

- 6. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Repurchase Statement and diligently attempt to resolve any questions or claimed errors in the Repurchase Statement. Absent patent error, Freddie Mac's determination of the amount of the Repurchase Price will be final.

**46SBL.5 Repurchase Options (08/18/2204/22/25)**

This Section 46SBL.5 is applicable to all SBL Mortgages that have not been included as an asset for a Secondary Mortgage Transaction, irrespective of the date of origination of such SBL Mortgage. The Seller/Servicer ~~has the right to~~ may repurchase an SBL Mortgage ("Repurchase Option") as provided below.

**a. During Repurchase Period (08/18/2204/22/25)**

~~Subject to satisfaction of each of the conditions set forth in 1-4 below, the Seller/Servicer has the right to a Repurchase Option (i) prior to the expiration of the Repurchase Period for any SBL Mortgage in default under the terms of the applicable Loan Documents, and (ii) prior to the Seller/Servicer's receipt of a Repurchase Notice from Freddie Mac for any SBL Mortgage subject to a Repurchase Obligation as described in Section 46SBL.4.~~ Prior to the expiration of the Repurchase Period for any SBL Mortgage, the Seller/Servicer may elect to exercise a Repurchase Option for any SBL Mortgage if the conditions below are satisfied.



<p><u>1. SBL Borrower is in default under the applicable SBL Mortgage for either (i) a 60 Day Delinquency, or (ii) a Non-Monetary Default that has not been cured within 60 days (either a “Repurchase Option Eligible Default”).</u></p>	<p><b>Formatted:</b> Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 1.35" + Indent at: 1.6"</p>
<p><u>4.2. The Seller/Service</u>r must exercise the Repurchase Option <u>(i) not less than two Business Days prior to the initial pricing date of the Secondary Market Transaction for which the SBL Mortgage has been preliminarily designated as collateral, and (ii) prior to the Seller/Service</u>r's receipt of a Repurchase Notice from Freddie Mac for any SBL Mortgage subject to a SBL Repurchase Obligation as described in Section 46SBL.4.</p>	<p><b>Formatted:</b> Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 1.35" + Indent at: 1.6"</p>
<p><u>2.3. The Seller/Service</u>r must provide written notice to Freddie Mac of its Repurchase Option election, which notice must include all the following:</p> <ul style="list-style-type: none"><li>• Freddie Mac loan number</li><li>• Property name</li><li>• Reason for the repurchase <u>(e.g., the underlying default(s) triggering the applicable Repurchase Option Eligible Default)</u></li><li>• Seller/Servicer's estimate of the Repurchase Price <u>(as defined in Section 46SBL.4(h))</u></li></ul>	<p><b>Formatted:</b> Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 1.35" + Indent at: 1.6"</p>
<p><u>3.4. Freddie Mac will verify the Repurchase Price and provide written confirmation of the Repurchase Price to the Seller/Service</u>r.</p>	<p><b>Formatted:</b> Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 1.35" + Indent at: 1.6"</p>
<p><u>4.5. The Seller/Service</u>r must <u>purchase/repurchase</u> the SBL Mortgage within 10 Business Days following the <u>date of the written notice to receipt of written confirmation of the Repurchase Price from</u> Freddie Mac. <u>In addition to payment of the Repurchase Option election, The Price, the</u> Seller/Service will be responsible for the payment of any Repurchase Expenses <u>(as defined in Section 46SBL.4(h)).</u></p>	<p><b>Formatted:</b> Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 1.35" + Indent at: 1.6"</p>
<p><b><u>b. During the Loss Obligation Period (04/22/25)</u></b></p> <p><u>During the Loss Obligation Period, the Seller/Service</u>r may exercise a Repurchase Option with respect to a Defaulted Mortgage (as defined in Section 46SBL.6(d)(1)) if all the conditions below are satisfied:</p>	<p><b>Formatted:</b> Indent: Left: 1", Hanging: 0.31", Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.85" +</p>
<p><b><u>b. Following the Repurchase Period and Prior to an SBL Mortgage Default (08/18/22)</u></b></p> <p><u>If the Repurchase Period has expired and the Seller/Service</u>r's SBL Mortgage has not yet been included as an asset of a Secondary Market Transaction and Freddie Mac still owns the SBL Mortgage, the Seller/Service may exercise a Repurchase Option with respect to the SBL Mortgage, subject to the provisions of Section 46SBL.5(a). For any SBL Mortgage that has become an SBL Defaulted Mortgage following the Repurchase Period, the Repurchase Option is subject to Section 46SBL.5(e).</p>	<p><b>Formatted:</b> Heading2_1, None, Indent: Left: 1", Hanging: 0.31", Space After: 0 pt, Add space between paragraphs of the same style, No bullets or numbering, Don't keep with next</p>
<p><b><u>e.1. Following an The SBL Defaulted Mortgage Determination (08/18/22) has not been included as an asset for a Secondary Market Transaction.</u></b></p> <p><u>If the Repurchase Period has expired, and the SBL Mortgage has become an SBL Defaulted Mortgage, then the Seller/Service</u>r may exercise a Repurchase Option with respect to the SBL Defaulted Mortgage if all the conditions below are satisfied:</p>	<p><b>Formatted:</b> Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 1.35" + Indent at: 1.6"</p>



- 2. The Seller/Servicer provides Freddie Mac written notice of its election to exercise its Repurchase Option Election that includes all of the requirements in Section 46SBL.5(a)(2) within 30 days after the occurrence of a 60-Day Delinquency or within 60 days after the occurrence of a Non-Monetary Default(3).
- 3. The Seller/Servicer's exercise of the Repurchase Option complies with Sections 46SBL.5(a)(1), (3), and (4) and (5).
- 4. ~~The~~In addition to payment of the Repurchase Price and any Repurchase Expenses, the Servicer pays to Freddie Mac any applicable SBL Losses with respect to the ~~SBL~~ Defaulted Mortgage as provided in Section 46SBL.6.

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**46SBL.6 Loss Obligation (08/18/22)**

**a. SBL Loss Obligation (08/18/22)**

For each SBL Mortgage, upon a Mortgage Default (as defined in Section 46SBL.6(d)(1)), if Freddie Mac suffers a loss with respect to an SBL Mortgage that has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise), the Seller/Servicer will be liable to Freddie Mac for the first loss/top loss on that SBL Mortgage up to the Loss Maximum defined in Section 46SBL.6(c) ("SBL Loss Obligation"), for the period set forth in Section 46SBL.6(b), calculated as set forth in Section 46SBL.6(d).

Notwithstanding the endorsement to Freddie Mac of any SBL Mortgage Note or other Loan Document by the Seller/Servicer "without recourse," the Seller/Servicer acknowledges and agrees that it will be liable for the payment to Freddie Mac of its SBL Loss Obligation.

**b. Loss Obligation Period (08/18/22)**

The "Loss Obligation Period" for an SBL Mortgage is set forth in Sections 46SBL.6(b)(1) - (2).

1. The Seller/Servicer's Loss Obligation Period commences immediately upon the expiration of the Repurchase Period for any SBL Mortgage that Freddie Mac has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise).
2. The Loss Obligation Period for an SBL Mortgage will terminate upon the earlier to occur of the following:
  - The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.
  - The Seller/Servicer's payment of the applicable Loss Obligation for the SBL Mortgage as set forth on the Loss Statement, as described in Section 46SBL.6(e), subject to the Loss Maximum specified in Section 46SBL.6(c).



- The Seller/Service’s payment of the SBL REO Price for the Property secured by the SBL Mortgage, if the Seller/Service selected the REO Property Repurchase Option described in Section 46SBL.6(g).
- The occurrence of a Secondary Market Transaction Standstill Event (as defined in Section 46SBL.4(d) above); provided, however, that if an SBL Mortgage is in the Loss Obligation Period and a Mortgage Default has occurred prior to the effective date of the Secondary Market Transaction Standstill Event, the SBL Loss Obligation will remain in effect for any such SBL Mortgage until the SBL Loss Obligation for that SBL Mortgage is satisfied.

**c. Loss Maximum (08/18/22)**

The maximum Seller/Service loss with respect to an SBL Loss Obligation (“Loss Maximum”) for any SBL Mortgage will equal ten percent of the principal balance of the SBL Mortgage as of the Origination Date for the SBL Mortgage. The amount of the SBL Loss Obligation will be calculated as provided in Section 46SBL.6(d).

**d. SBL Loss Obligation Calculation (09/28/18)**

1. ~~Following the expiration of the Repurchase~~During the Loss Obligation Period for an SBL Mortgage, the occurrence of any event that entitles Freddie Mac to accelerate the indebtedness or seek other relief against the Borrower pursuant to the Loan Documents (subject to any applicable grace or cure period in the Loan Documents) is a “Mortgage Default,” and the SBL Mortgage is a “Defaulted Mortgage.”
2. For purposes of calculation of the amount of the loss for an SBL Mortgage (“SBL Loss”), if the Loan Documents provide a grace or cure period with respect to a failure by the Borrower to comply with one or more of its obligations, the Mortgage Default will be deemed to have occurred on the date of the failure, not the end of the grace or cure period.
3. The date on or after the Mortgage Default on which Freddie Mac calculates the SBL Loss is the “SBL Loss Obligation Calculation Date.”
4. The terms “SBL Loss” or “SBL Losses” mean the sum of each of the following, minus any applicable Default Recoveries or Modification Recoveries:
  - The unpaid principal balance of the Defaulted Mortgage as of the Mortgage Default
  - Default or Modification Resolution Costs as of the SBL Loss Obligation Calculation Date
  - Interest due from Borrower under the Loan Documents from the date of the Mortgage Default until the SBL Loss Obligation Calculation Date not otherwise included in the calculation of Default or Modification Resolution Costs
5. “Default or Modification Resolution Costs” means the sum of the following paid or incurred by, or on behalf of, Freddie Mac:



- The cost, if any, of servicing by a third-party servicer of the SBL Mortgage while a Mortgage Default is continuing
- All costs and expenses, including legal fees, and receivership fees and expenses, incurred in connection with any Loss Mitigation Activities
- All costs and expenses, including legal fees, incurred in connection with a Bankruptcy Proceeding or a forbearance or the modification of the Loan Documents
- All costs and expenses, incurred in connection with the rehabilitation, maintenance and/or operation of the Property securing the SBL Mortgage, including legal fees, receivership fees and expenses, taxes, insurance, management fees, maintenance salaries, utilities, leasing commissions and the cost of any repairs or improvements necessary to restore the Property to decent, habitable, safe and sanitary condition and necessary to maximize the value of the Property
- All costs and expenses, including legal fees, sales commissions and third-party costs incurred in connection with the disposition of the Property or a forbearance or the modification of the Loan Documents
- Any other payments due and owing from the Borrower to Freddie Mac

The reasonableness and necessity of all Default or Modification Resolution Costs will be determined by Freddie Mac in its sole discretion.

6. "Default Recoveries" means all the following amounts received by Freddie Mac:

- If the Property or Note evidencing or securing the SBL Mortgage has been sold, any amounts received from the sale of the Property or Note, net of any sales commissions, legal fees or costs of sale, other than those described in Section 46SBL.6(d)(5) above (excluding any fees, interest or other charges in connection with a mortgage made or purchased to facilitate the sale of the Property or Note)
- If the Property or Note evidencing or securing the SBL Mortgage has not been sold, and the Property has been owned by Freddie Mac for 30 or more months, the Appraised Value of the Property (less necessary and reasonable operating costs)
- All rental or other income received by Freddie Mac from the operation of the Property (or from a court-appointed receiver) since the date of the Mortgage Default
- Any other amounts received from the Borrower on account of the SBL Mortgage since the date of the Mortgage Default
- Any amounts received from any guarantor(s) of the Borrower's obligations since the date of the Mortgage Default
- Any amounts received from any third party with respect to the Property, including insurance proceeds, condemnation proceeds, insurance premium rebates, property tax refunds, and vendor refunds rebates



- Any escrows, reserves or previously unapplied amounts that are applied against amounts owed under the SBL Mortgage
  - The proceeds of any insurance policies not applied to restoration of the Property or obligations of the Borrower
7. "Modification Recoveries" means all the following amounts received by Freddie Mac:
- Any amounts received from the Borrower or any guarantor on account of the SBL Mortgage since the date of the Mortgage Default, which amounts have not been applied to principal or interest
  - The present value (calculated at the original gross interest rate of the Note secured by the SBL Mortgage) of all payments due and owing to Freddie Mac through the date of maturity of the SBL Mortgage under the original terms of the Loan Documents, as modified or forborne

**e. Loss Statement (08/18/22)**

1. **Issuance of the Loss Statement.** Following the calculation of the SBL Loss and the applicable Loss Maximum, Freddie Mac will issue a loss statement to the Seller/Service ("Loss Statement") that includes the following information:
  - An itemized calculation of the SBL Loss with respect to the Defaulted Mortgage
  - The Freddie Mac account information required for the Seller/Service's wire transfer to Freddie Mac in satisfaction of the SBL Loss Obligation
2. **Remittance Due Date.** The Seller/Service must remit the amount due and payable to Freddie Mac identified on the Loss Statement within 10 Business Days after the date of the Loss Statement. Payment must be made by wire transfer of funds to the account as Freddie Mac designates in the Loss Statement.
3. **Statement Errors.** The Seller/Service and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Loss Statement and diligently attempt to resolve any questions or claimed errors in the Loss Statement. Absent patent error, Freddie Mac's determination of the amount of the SBL Loss Obligation will be final.

**f. Interim SBL Loss Information Statement (08/18/22)**

Upon the request of the Seller/Service, if a Mortgage Default has occurred and is continuing, Freddie Mac will transmit to the Seller/Service an informational statement setting forth the accrued SBL Loss for the SBL Mortgage as of the date of the informational statement ("Interim Loss Information Statement").

The Interim Loss Information Statement will contain the same information that would be provided in a Loss Statement, with the amounts calculated as though the date of the Interim Loss Information Statement was an SBL Loss Obligation Calculation Date. Freddie Mac will not be required to provide the Seller/Service with an Interim Loss Information



Statement for a Defaulted Mortgage more than once each calendar quarter. The Seller/Servicer agrees that any Interim Loss Information Statement is for informational purposes only and if there is a conflict between an Interim Loss Information Statement and an SBL Loss Statement, the SBL Loss Statement will control.

**g. REO Property Repurchase Option (08/18/22)**

If the Property securing a Defaulted Mortgage becomes an REO Property ("REO Property"), the Seller/Servicer may elect to purchase the REO Property in lieu of paying the SBL Loss. The purchase price for the REO Property will be calculated as follows ("SBL REO Price"):

- The sum of each of the following:
  - The unpaid principal balance of the Defaulted Mortgage as of the acquisition date or the date of acceptance of a deed in lieu of foreclosure
  - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before the Seller/Servicer's purchase of the REO Property
  - Any expenses reimbursed by Freddie Mac to the Servicer
  - Any expenses incurred by Freddie Mac in marketing the REO Property
- Reduced by each of the following:
  - Any sale proceeds
  - Other proceeds or refunds remitted to Freddie Mac by or on behalf of the Servicer, except any rental proceeds remitted or due to Freddie Mac

At Freddie Mac's discretion, the SBL REO Price will include an amount equal to any loss, damage or expense, including court costs, costs of investigation and reasonable attorney fees, incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller/Servicer of Freddie Mac's interest in the REO Property. In addition, the Seller/Servicer must pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of the REO Property to the Seller/Servicer, including legal fees.



<b>Summary report:</b>	
<b>Litera Compare for Word 11.0.0.61 Document comparison done on 4/17/2025 3:52:05 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 46SBL - SBL Collateral Repurchase Loss and Securitization GB-02-16-23.docx	
<b>Modified filename:</b> 46SBL - SBL Collateral Repurchase Loss and Securitization GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	50
<u>Delete</u>	42
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	92

# Multifamily Seller/Service Guide

## Chapter 55

### Documentation and Deliveries



#### 55.1 Use of Chapter 55 (12/14/23)

- a. Preparing an underwriting package (12/14/23)
- b. Resubmission of an underwriting package (05/11/10)
- c. Preparing documentation required for a Transfer of Ownership (06/29/17)
- d. Notification requirements regarding updates to the underwriting package (02/16/23)
- e. Ability to request additional information (04/13/23)

#### 55.2 ~~Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (02/27/25)~~ Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (04/22/25)

#### 55.3 Requirements for documents contained in the prescreen package (04/13/23)



55.1 Use of Chapter 55 (12/14/23)

Chapter 55 is to be used in the preparation of an underwriting package for cash and bond credit enhancement Mortgages, and in the preparation of documentation to be submitted to Freddie Mac in connection with a Transfer of Ownership, as indicated in Chapter 41.

a. Preparing an underwriting package (12/14/23)

1. Due Diligence – Chain of Custody.

- A. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting package as set forth in this chapter (other than Freddie Mac required third-party reports), must be delivered directly to the Seller/Servicer by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with this chain of custody requirement.

2. Documentation Delivery. At the Seller's expense, the Seller must deliver the documents to Freddie Mac and remit any required fees to Freddie Mac by wire transfer, subject to Freddie Mac's approval.

- A. The Seller must obtain wire transfer instructions from
  - *Multifamily TAH Production* or the *Multifamily TAH Underwriter*, for TAH Seller/Servicers, or
  - The *Applicable Freddie Mac Multifamily Regional Office*, for all other Seller/Servicers.
- B. The Seller must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.
- C. With respect to each delivery
  - The Seller must deliver the documents simultaneously.
  - The Seller may not make any changes to forms prescribed by Freddie Mac without prior written authorization from Freddie Mac.

If the delivery is incomplete, if the documents have not been properly prepared, or if the documents do not, or the delivery does not, otherwise conform to Freddie Mac requirements, Freddie Mac cannot process the package.



**b. Resubmission of an underwriting package (05/11/10)**

The Seller may not resubmit an application package for a Mortgage for at least six months after the date of

- Freddie Mac's notice of rejection, if Freddie Mac declined to issue a Letter of Commitment for the Mortgage or failed to accept an early rate-lock application following review of the full application package, or
- Freddie Mac's Letter of Commitment, if the Seller failed to accept the Letter of Commitment within the time period specified, or
- Freddie Mac's acceptance of the early rate-lock application, if the Seller failed to sign and return Exhibit A of the early rate-lock application within the time required.

**c. Preparing documentation required for a Transfer of Ownership (06/29/17)**

Instructions for the preparation of documentation for a Transfer of Ownership can be found in Chapter 41.

**d. Notification requirements regarding updates to the underwriting package (02/16/23)**

The Seller/Service must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock or issuance of an Acceptance Letter for an early rate lock application. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

**e. Ability to request additional information (04/13/23)**

Notwithstanding the documentation requirements in Section 55.2 and Section 55.3, Freddie Mac reserves the right to request any document identified in Section 55.2 and Section 55.3 from any Borrower Principal.

**55.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (~~02/27/25~~04/22/25)**

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

Document	Requirements
501(c)(3) Due Diligence Checklist	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide Freddie Mac with a 501(c)(3) Due Diligence Checklist if the bonds for which Freddie Mac is providing the bond credit enhancement are 501(c)(3) bonds.



Document	Requirements
<b>Access easement and Essential Facilities and/or Recreational Facilities easement documentation</b>	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"><li>• If the Property shares primary ingress and/or egress with adjacent or neighboring properties (including another phase of a phased development) via an easement or private road, documentation in accordance with Sections 8.6 and 8.8, as well as a (i) preliminary legal issues memorandum (PLIM) that either (x) confirms the access complies with the requirements set forth in Section 8.8, or (z) a legal analysis of what requirements are not satisfied and the Seller's counsel's recommendations for acceptability, (ii) a copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable, and (iii) an opinion from a land use attorney if applicable, or</li><li>• If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the owner, documentation in accordance with Sections 8.6 and 8.9, a PLIM that either (i) confirms the Borrower's access to and use of the Essential Facilities and/or Recreational Facilities and amenities comply with the requirements set forth in Section 8.9; or (ii) a legal analysis of what requirements are not satisfied and the Seller's counsel's recommendations for acceptability.</li><li>• See also "confirmation of or a request for approval of shared facilities or access."</li></ul>
<b>Aged Receivables Report</b>	<p>The Seller must review and submit to Freddie Mac a report, if applicable, which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report must accompany all operating statements prepared on an accrual basis. The report should be dated as of the ending T-12 period for the current property financial statement submitted.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p>The document(s) must be certified using the Borrower and Key Borrower Principal Blanket Certification, Form 1112.</p>
<b>Application fee</b>	<p>For Bond Credit Enhancement Mortgages, the Seller must remit the applicable application fee by wire transfer. The Seller must obtain wire transfer instructions from <i>Multifamily TAH Production</i> or the <i>Multifamily TAH Underwriter</i>, for TAH Seller/Serviceirs.</p>



Document	Requirements
(for Bond Credit Enhancement Mortgages)	The Seller must send the wire transfer to the attention of <i>Multifamily Cash Management</i> . The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The application fee amount is found in the Commitment.
Appraisal	<p>The Seller/<u>Servicer</u> must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the Additional Appraisal Requirements Memorandum. The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.</p> <p><u>Seniors Housing Mortgages</u> For a Seniors Housing Mortgage, the Appraisal must meet the requirements of Chapter 60 and Section 21.16.</p> <p><u>Forward Commitments</u> The Seller/<u>Servicer</u> must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.30 for requirements specific to Forward Commitments.</p> <p><u>Mod Rehab</u> The Seller/<u>Servicer</u> must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Mod Rehab Mortgages.</p> <p><u>Preservation Rehabilitation</u> The Seller/<u>Servicer</u> must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Preservation Rehabilitation Mortgages.</p> <p><u>Mortgage with Green Up® or Green Up Plus® loan option</u> The Seller/<u>Servicer</u> must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.29 for requirements specific to Mortgages with the Green Up or Green Up Plus loan option.</p>
<u>Appraisal Revision Summary</u>	<u>For a Mortgage taken under application on or after June 2, 2025, the Seller/Servicer must provide an Appraisal Revision Summary as required by Section 60.10. The Seller/Servicer may use the</u>

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Document	Requirements
	<u>Freddie Mac template or another format as long as it includes the information required in Section 60.10.</u>
<b>Bond distribution list</b>	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide Freddie Mac <i>Multifamily TAH Production</i> and the <i>Multifamily TAH Underwriter</i> with a list of participants in the bond transaction, including their telephone numbers and e-mail addresses.
<b>Borrower and Key Borrower Principal Blanket Certification, Form 1112</b>	<p>Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation:</p> <ul style="list-style-type: none"><li>• Property Financial Statements (Historical and Budgeted)</li><li>• Rent Roll</li><li>• Real Estate Schedule</li><li>• Financial Statement</li><li>• Other documentation, as applicable (i.e., Aged Receivable Report, Seniors Housing agreements and contracts, Seniors Housing list of FF&amp;E and motor vehicles, Liquidity verification documentation, etc.)</li></ul> <p>Form 1112 must be completely populated, including an indicator for the document(s) being certified as well as the applicable date(s) of the document(s).</p> <p>The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.</p>
<b>Borrower and Key Borrower Principal Certificate, Form 1115</b>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with the Form 1115, Borrower and Key Borrower Principal Certificate, executed by each Borrower or Key Borrower Principal.</p> <p>Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals:</p>



Document	Requirements
	<p>1. Past mortgage payment and default experience</p> <p>2. History of criminal, administrative, and/or litigation proceedings</p> <p>Form 1115 must not be dated more than 60 days prior to the date of submission of the applicable underwriting package.</p> <p>For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form 1115. The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1115 unless specifically requested by Freddie Mac.</p>
<b>Borrower’s budgeted property financial statements</b>	See “property financial statements.”
<b>Breakdown of construction costs</b>	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see “capital improvement documentation.”</p> <p>The document(s) must be certified using Borrower and Key Borrower Principal Blanket Certification, Form 1112.</p>
<b>Building code violation documentation</b>	<p>The Seller must provide building code violation documentation in one of two ways:</p> <ul style="list-style-type: none"><li>• In the form of a letter or other documentation from the local building code enforcement office which must verify that:<ul style="list-style-type: none"><li>○ Any prior building code violations have been corrected</li><li>○ The Property is currently in compliance with all applicable building codes</li></ul></li></ul>





Document	Requirements
	<ul style="list-style-type: none"><li>• Verification of the above as part of the zoning report or Form 1108, Physical Risk Report, for a Mortgage that meets all of the following conditions:<ul style="list-style-type: none"><li>○ The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate</li><li>○ The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage</li></ul></li></ul> <p>If the local building code enforcement office will not provide such a letter, Freddie Mac will accept a certified verification from the Borrower.</p>
Calculation of prepayment premium	For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.
Capital improvement documentation	<p>When required by Freddie Mac, the Seller must submit:</p> <ul style="list-style-type: none"><li>• For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction.</li><li>• For any major past renovations, a summary of these renovations and documentation concerning the costs.</li><li>• For a Mortgage whose original principal balance is greater than \$100 million without any construction or major renovation planned for the Property, a statement that no construction or major renovation is planned during the term of the Mortgage.</li></ul> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Certification — Organizational Chart, Form 1114	A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised



Document	Requirements
	Organizational Chart along with a new Form 1114, Certification — Organizational Chart.
<b>Certificate of Good Standing from the Construction Lender</b>	A letter or other documentation certifying that the Borrower is in good standing under the terms of the Construction Loan.
<b>Certification Regarding Payment of Fees and Expenses of Freddie Mac’s Outside Counsel</b>	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a copy of the Certification Regarding Payment of Fees and Expenses of Freddie Mac’s Outside Legal Counsel, available via FreddieMac.com, in accordance with Section 28.8(d).
<b>Certified cost accounting</b>	The Seller must provide to Freddie Mac a certified cost accounting of total project costs, including hard and soft costs. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
<b>Certified Organizational Chart</b>	An Organizational Chart that is certified using <i>Certification – Organizational Chart</i> , Form 1114.
<b>Commercial lease documentation</b>	<p>The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.</p> <p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the residential and commercial lease portions of the Property’s income.</p> <p>If income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac in connection with a certain commercial lease, the Seller must provide a completed Commercial Lease Analysis for such lease. The Commercial Lease Analysis form is available at <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>.</p> <p>See Section 8.11 for requirements regarding commercial lease SNDAs, subordinations, and estoppels; see Section 8.2(b) for commercial use requirements.</p>
<b>Complete Borrower/Key Borrower Principal Due Diligence Package</b>	A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115, Borrower and Key Borrower Principal Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals; a credit report for Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and Liquidity verification documentation, if applicable. It is



Document	Requirements
	<p>submitted as part of the underwriting package and/or prescreen package to Freddie Mac.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Complete Borrower/Key Borrower Principal Due Diligence Packages unless specifically requested by Freddie Mac.</p>
<b>Condominium Analysis</b>	<p>If the Property is subject to a condominium regime, the Seller must submit the following information to Freddie Mac:</p> <ul style="list-style-type: none"><li>• The total number of units subject to the Condominium regime</li><li>• The number of Condominium Units the Borrower owns</li><li>• The percentage of Borrower’s undivided interest in the common elements of the Condominium</li><li>• If the Borrower does not own 100 percent of the real property that is subject to the Condominium regime, whether the Property is<ul style="list-style-type: none"><li>○ A “Partial Condo”, where the Property consists of all of the residential units in the Condominium but there are commercial, office, parking or other Condominium Units that will not be part of the collateral for the Mortgage</li><li>○ A “Fractured Condo”, where the Property does not consist of all of the residential units in the Condominium and some of the residential Condominium Units have been sold to third party purchasers</li></ul></li><li>• The number of members that comprise the board of directors of the Condominium association (“Condominium Association”) and the number of members of the board of directors of the Condominium Association that the Borrower controls</li></ul> <p>This information may be included in the Mortgage Transaction Narrative Analysis.</p>
<b>Confirmation of compliance or a request for approval of shared facilities or access</b>	<p>If any on-site or off-site facilities or access are shared, the Seller must submit in a preliminary legal issues memorandum (PLIM) either (i) a confirmation that any such sharing arrangement meets the requirements of Sections 8.6, 8.8 and 8.9, or (ii) a request for Freddie Mac approval of the requirements set forth in Section 8.8 or</p>



Document	Requirements
	8.9 that are not satisfied, including the Seller's counsel's recommendations for acceptability.
Construction completion documents	<p>The Seller must include the following documents in the Forward Commitment underwriting package for Conversion:</p> <ul style="list-style-type: none"><li>• Post-construction analysis report<ul style="list-style-type: none"><li>○ Architect's certificate of substantial completion</li><li>○ Final punch list from the architect of record</li><li>○ Final payment certification</li><li>○ Final lien waiver from the general contractor</li><li>○ Release of payment and performance bonds</li><li>○ Release of bonds required by any governmental authority</li><li>○ Final certificate(s) of occupancy</li><li>○ Reserve analysis, if not completed previously or if revisions to the previously completed analysis are recommended</li><li>○ A summary of all change orders and an analysis of all material changes, as defined in Section 63.4(c)</li></ul></li><li>• A summary analysis, prepared by the Seller/Service's Chief Architect/Engineer, indicating that the finished project has been completed, lien-free and in accordance with all other applicable requirements, substantially in accordance with the plans and specifications reviewed at the issuance of the Forward Commitment</li><li>• Environmental assessment report</li><li>• A certified cost accounting of total project costs, including hard and soft costs</li></ul>



Document	Requirements
	See Section 63.5 for additional information.
Construction documentation for Forward Commitments	<p>For a review by Freddie Mac, the Seller must provide:</p> <ul style="list-style-type: none"><li>• The final pre-construction analysis report described in Section 63.3(a)</li><li>• A narrative summary, prepared by the Seller's Chief Architect/Engineer, as outlined in Section 63.3(c)</li></ul>
Cooperative analysis	<p>If the Property is owned by a cooperative housing corporation, the Seller must submit to Freddie Mac a cooperative analysis that includes</p> <ol style="list-style-type: none"><li>1. The following information as it pertains to the sellout of the cooperative:<ul style="list-style-type: none"><li>• Date property converted to cooperative</li><li>• Percentage of units sold to owner-occupants (including sublets)</li><li>• Percentage of units sold to owner-occupants that are sublet</li><li>• Percentage of units sold to non-sponsor owned investors</li><li>• Percentage of units held by sponsor or sponsor-related entities</li></ul></li><li>2. Current financial statements for any one owner that holds 20 percent or more of the Cooperative's shares. If an owner of 20 percent or more is a corporation, partnership or other legal entity, the Seller must deliver financial statements for each officer, general partner or trust beneficiary, including sponsors and beneficiaries that hold unsold shares. All such financial statements must be certified or audited.</li><li>3. Maintenance fee delinquency report for the previous 12 months showing the number of units delinquent for each month and the corresponding dollar value</li><li>4. Analysis of the sponsor's current cash flow from unsold units (rent roll detailing rent, maintenance for each unit, and debt</li></ol>



Document	Requirements
	<p>service, if applicable)</p> <ol style="list-style-type: none"><li>5. Analysis of the sponsor’s ability to support negative cash flow from unsold units, if applicable</li><li>6. Analysis of pro forma Income and Expense Statements showing the economic results if the Property was operated as a rental and as a cooperative</li><li>7. Analysis of the estimated value of the Property as a cooperative (co-op) and as a rental project</li><li>8. Information on unit sales over the last 12 months including date of sale, unit number, unit type and sale price. If sales over the last 12 months do not include all unit types, provide information on earlier sales so that all unit types are represented</li><li>9. Analysis of maintenance costs compared to market rents for each unit type</li></ol>
Credit reports	<p>The Seller must provide to Freddie Mac a current credit report on each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must:</p> <ol style="list-style-type: none"><li>1. Be reviewed by the Seller</li><li>2. Be issued by an independent credit reporting agency acceptable to Freddie Mac</li><li>3. Be dated within 60 days before delivery to Freddie Mac</li><li>4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings</li><li>5. List any other debts</li><li>6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records</li></ol>
Current property financial statements	See “property financial statements.”



Document	Requirements
Delegated property inspection letter	See “property inspection documentation.”
Document analysis by Seller’s counsel	The Seller must provide an analysis by Seller’s counsel of certain legal documents affecting the Property, as described in Section 6.7.
Effective annual rental rate	For a Mortgage whose original principal balance is greater than \$100 million, the Seller must provide the effective annual rental rate per unit, as determined by gross potential rent less concessions, for each of the most recent three years, or for each year since the completion of construction, whichever is less.
Employer Enabled Permanent Supportive Housing (EPSH) Borrower Certification, Form 1134	<p>Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification, must be used to certify that the Borrower has a discounted employee unit/units at the Property that is/are subject to the EPSH Partnership Agreement (included as an exhibit to Form 1134).</p> <p>The Form 1134 will include the number of EPSH units at the Property as well as the total annualized discounted rent for those units.</p> <p>The Form 1134 must be executed by the Borrower and provided with the full underwriting package for a loan to qualify for the benefits described in the EPSH Fact Sheet.</p>
Employer Enabled Permanent Supportive Housing (EPSH) Partnership Agreement	<p>A fully executed agreement between the Sponsor and a Nonprofit Entity to offer discounted units to employees sourced via the Nonprofit Entity’s job matching network for those at risk of homelessness without subsidy or financial incentive to the Sponsor. The agreement should quantify the discount to be offered if a candidate is hired and must be provided as an exhibit to Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification, for a loan to qualify for the benefits described in the EPSH Fact Sheet.</p>
Environmental report and alternatives	<p>The Seller must provide to Freddie Mac an environmental report meeting the requirements of Chapter 61.</p> <p><u>Supplemental Mortgages</u></p> <p>An environmental report is required under this product when</p> <ul style="list-style-type: none"><li>• The proposed Mortgage is a split Mortgage, or</li></ul>



Document	Requirements
	<ul style="list-style-type: none"><li>• An acceptable environmental report was not completed upon origination of the first Mortgage, or</li><li>• An environmental issue was identified subsequent to the origination of the first Mortgage, or</li><li>• Freddie Mac, in its sole discretion, determines that an environmental report is needed.</li></ul> <p><u>For each Supplemental Mortgage for which Freddie Mac does not require an environmental report, the Seller must</u></p> <ul style="list-style-type: none"><li>• Retain a qualified environmental consultant in accordance with Section 61.17 to perform a neighborhood hazardous waste activity review in compliance with Section 61.9, and submit the environmental consultant's analysis and conclusions, and</li><li>• Confirm that the Borrower has complied with any conditions or requirements in the first Mortgage regarding an identified environmental hazard or Mold and has completed any required work.</li></ul> <p>For TAH Mortgages under a Forward Commitment, see Section 61.1(b)(1) for the requirements applicable to an environmental report prepared by a consultant retained or directed by the Borrower.</p>
EPA Energy Star Score	A score obtained using the U.S. Environmental Protection Agency's (EPA's) Portfolio Manager®, used by Borrowers seeking Green Advantage benefits.
Equity Conflict of Interest statement	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"><li>• With the preliminary underwriting package (for a Seller utilizing the early rate-lock delivery option) or the full underwriting package (for a Seller utilizing the standard delivery option), or</li><li>• For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i></li></ul>
Evidence of Insurance	The Seller must submit the following to Freddie Mac to verify that the Property has, or will have as of the Freddie Mac Funding Date, adequate property damage and liability insurance as required by





Document	Requirements
	<p>the Purchase and Servicing Documents:</p> <ul style="list-style-type: none"><li>Fully completed Form 1133, Seller/Servicer Certification of Insurance Coverage, via the Insurance Compliance Tool (ICT)</li><li>The documents listed in Sections 31.20(a) and 31.20(b), as applicable</li></ul> <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p> <p>If the Borrower's insurance will not meet the Freddie Mac insurance requirements, the Seller/Servicer must request a waiver prior to the Origination Date from the</p> <ul style="list-style-type: none"><li><i>Multifamily TAH Underwriter</i>, for Targeted Affordable Housing Mortgages</li><li><i>Applicable Freddie Mac Multifamily Regional Office</i>, for all other Mortgages.</li></ul>
Evidence of Tax Abatement	<p>For Properties benefiting from real estate tax abatements, including payment in lieu of taxes (PILOT), the Seller must provide documentation from the taxing authority or the governing body confirming:</p> <ul style="list-style-type: none"><li>That the Property or the Borrower, as applicable, has qualified for the Tax Abatement</li><li>The amount of annual tax to be paid, if any</li><li>The term of the Tax Abatement</li><li>Any other requirements of the Tax Abatement</li></ul> <p>See the Tax Abatement/Exemption/PILOT Questionnaire for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The Tax Abatement/Exemption/PILOT Questionnaire is found on the legal document pages of <a href="http://mf.freddie.mac.com">mf.freddie.mac.com</a>.</p>



Document	Requirements
Exclusionary List	See Section 2.18.
Financial statements of Borrower and Key Borrower Principals – certified	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p> <ul style="list-style-type: none"><li>• Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key Borrower Principal</li><li>• Federal income tax returns for the Borrower for the most recent taxable year, if requested</li></ul> <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p> <p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"><li>• All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities</li><li>• All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation</li><li>• Any factors that may materially affect the Borrower or Key Borrower Principal's financial position immediately or during the term of the Mortgage</li></ul> <p>The Seller must review the financial statements.</p>



Document	Requirements
	<p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit financial statements unless specifically requested by Freddie Mac.</p> <p>If the Borrower or Key Borrower Principal is a non-profit, the Seller must identify whether the non-profit Borrower's or Key Borrower Principal's primary funding sources are from fees on development projects or from competitive sources such as public funding, grants, gifts, or donations that may be subject to budget constraints.</p>
Financial statements – property	See “property financial statements.”
Flood zone determination (FZD)	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
Green Building Certificate	<p>Any industry-standard green rating or certification, when required for Green Certified buildings. Acceptable green ratings or certifications include</p> <ol style="list-style-type: none"><li>1. EarthCraft, South Face</li><li>2. ENERGY STAR for Multifamily Existing Buildings, High Rise, New Construction, EPA</li><li>3. Green Communities, Enterprise Community Partners</li><li>4. Green Globes, Green Building Initiative</li><li>5. GreenPoint Rated, Build It Green</li><li>6. Leadership in Energy and Environmental Design (LEED), US Green Building Council</li><li>7. National Green Building Standard, Home Innovation Research Labs</li><li>8. Passive House Institute US (PHIUS) Certified</li><li>9. Passive House Institute (PHI) Certified and/or</li></ol>



Document	Requirements
	10. Any other approved certification provided by the applicable authority
<b>Green Retrofits Certification, Form 1209</b>	<p>The Seller must provide Freddie Mac with Form 1209, Green Retrofits Certification, executed by the Borrower, (i) if the Borrower seeks to qualify for a Green Retrofits benefit; or (ii) in connection with a TAH TEL Conversion.</p> <p>Form 1209 requests certification of the energy and/or water efficiency improvements currently in place at the Property as of the completion date of Form 1209 and made during the then current calendar year and the preceding two calendar years.</p> <p>The executed and completed Form 1209 must be submitted as part of the full underwriting package (or as part of the preliminary underwriting package in the case of an early rate lock option). For TAH TEL conversions, the executed form must be submitted as part of the full underwriting package at the time of the TAH TEL Conversion.</p>
<b>Ground lease documentation</b>	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all of the following, with a copy of each to the applicable <i>Multifamily Attorney</i>. See Chapter 30.</p> <ul style="list-style-type: none"><li>• A copy of the ground lease and all existing amendments</li><li>• An analysis of the ground lease by Seller's counsel using the Ground Lease Analysis form available on FreddieMac.com</li><li>• Any other items required by Chapter 30</li></ul>
<b>Historical property financial statements</b>	See "property financial statements."
<b>Housing Assistance Payments (HAP) contract</b>	<p>The Seller must provide, if applicable:</p> <ul style="list-style-type: none"><li>• Copies of the original Section 8 HAP Contract along with all amendments and renewals, including evidence of the currently applicable unit rents approved by the US Department of Housing and Urban Development (HUD) or the HAP Contract administrator</li><li>• Section 8 Housing Assistance Payments Contract Questionnaire (available at <a href="http://mf.freddie.mac.com">mf.freddie.mac.com</a>), completed by both Seller and Seller's counsel</li></ul>



Document	Requirements
	<ul style="list-style-type: none"><li>• Evidence of 2530 clearance for Borrower, Borrower Principals and Management Agent</li><li>• Management and Occupancy Review MOR Form</li><li>• Current REAC Score</li><li>• The most recent HUD Inspection Report, if the current REAC Score is less than 80 and the Property is required to undergo an annual HUD inspection</li></ul> <p>See “rent, income and use restriction documentation.”</p>
<b>Land Use Restriction Agreement (LURA)/ regulatory agreement</b>	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property (for tax-exempt bonds, if applicable, and LIHTC).</p> <p>See also “rent, income and use restriction documentation.”</p>
<b>Legal Issues Analysis (LIA) form</b>	<p>The LIA is the form used to prepare the preliminary legal issues memorandum (PLIM) at loan origination. The LIA (and any required updates as described in the LIA instructions) must meet the requirements of Section 6.4. The LIA is available at <a href="http://mf.freddie.mac.com/lenders/legal">mf.freddie.mac.com/lenders/legal</a>.</p> <p>See the entry for preliminary legal issues memorandum (PLIM), below, for the analysis required for Servicing transactions.</p>
<b>Liquidity verification documentation</b>	<p>Each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of (i) a First-Time Sponsor, (ii) Limited Multifamily Experience Sponsor, or (iii) Rapid Growth Sponsor must provide bank or brokerage statements either (i) reflecting an average balance for the preceding 12-month period or (ii) from each of the preceding three consecutive months.</p> <p>The bank or brokerage statement(s) must be dated within 60 days of delivery of the full underwriting package (when providing statements for each of the preceding three consecutive months, the most recent statement must be dated within 60 days of delivery of the full underwriting package and the average of the three months will be used).</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>



Document	Requirements
	<p>For Key Borrower Principals noted above, the Liquidity reported in the bank or brokerage statements will be the basis of any Liquidity determination, including as it relates to certain Liquidity thresholds required by the Guide.</p> <p>Additionally, the bank or brokerage statements provided must support the Liquidity represented in the Key Borrower Principal's certified financial statement. Material deviations require an explanation, acceptable to Freddie Mac, which must be included in the Mortgage Transaction Narrative Analysis.</p> <p>Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor, Limited Multifamily Experience Sponsor, or Rapid Growth Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using Form 1112.</p> <p>U.S. Public Companies and Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors are not required to submit Liquidity verification documentation.</p>
Low-Income Housing Tax Credit (LIHTC) Compliance/Monitoring for Income Averaging documentation	<p>For a LIHTC Property where the Income Averaging Set-Aside has been applied, documentation providing details of the LIHTC Investor's compliance and monitoring strategy.</p>
Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation	<p>The Seller must provide a copy of:</p> <ul style="list-style-type: none"><li>• The allocation letter</li><li>• The IRS Form 8609, <i>Low-Income Housing Credit Allocation and Certification</i>, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service</li><li>• The IRS Form 8823, <i>Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition</i>, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code</li></ul>



Document	Requirements
	<p>(IRC) §42 from both the property manager and the Borrower Principal</p> <p>In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties.</p> <p>See also “rent, income and use restriction documentation.”</p>
Management plan or management agreement	<ul style="list-style-type: none"><li>• The Seller/Service must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage</li><li>• If the Property is managed by the Borrower or the Borrower Principal, the Seller must deliver the Borrower’s management plan</li><li>• If a management firm is managing the Property, the Seller must include a copy of the management agreement for the Property</li><li>• If the management agreement will not be assigned to the lender, then the agreement must be terminable by the property owner upon not more than 30 days’ notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee</li></ul>
Manufactured Housing Community (MHC) (unless MHROC, government-owned, or non-profit-owned)	<p>For an MHC Mortgage with MHC Tenant Protections, including all MHC Mortgages quoted on or after September 1, 2021 (unless MHROC, government-owned, or non-profit owned), the Seller must submit the documentation noted in either a. or b. below:</p> <p>a. Form of Agreement with MHC Tenant Protections that will be executed or acknowledged by the Applicable MHC Residents. Seller’s counsel must confirm that the Form of Agreement includes all MHC Tenant Protections (including the conflicts of law provision) and requires a written signature of the Applicable MHC Residents. See the MHC Tenant Protections section in the LIA to understand the Borrower’s final selection.</p> <p>If the above Form of Agreement (e.g. Rules and Regulations) will not be signed by the Applicable MHC Residents, then a sample form of acknowledgement from the Applicable MHC Residents of the above Form of Agreement is required. See the MHC Tenant Protections section in the LIA.</p>



Document	Requirements
	<p>b. For Mortgages originated on or after August 2, 2021 where the Borrower has elected to incorporate the MHC Tenant Protections in the MHC rules and regulations and deliver to each Applicable MHC Resident an MHC Tenant Protections Notification: (1) a copy of the MHC rules and regulations that include the MHC Tenant Protections, and (2) the form of MHC Tenant Protections Notification. Seller's counsel must confirm that the MHC rules and regulations and form of MHC Tenant Protections Notification include all the MHC Tenant Protections, including the conflicts of law provision.</p>
<b>Manufactured Housing Resident-Owned Community (MHROC) Analysis</b>	<p>For a Manufactured Housing Resident-Owned Community (MHROC) Mortgage, a copy of the Manufactured Housing Resident-Owned Community Analysis, available on FreddieMac.com, with a copy to the applicable <i>Multifamily Attorney</i>.</p>
<b>Market study</b>	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"><li>1. Market area definition</li><li>2. Physical and location analysis</li><li>3. Economic analysis</li><li>4. Demographic analysis</li><li>5. Supply analysis</li><li>6. Demand analysis</li><li>7. Capture rate analysis by unit type</li><li>8. Recommendation</li></ol> <p>Freddie Mac will also accept a market study incorporated into the Appraisal, per the requirements of Section 60.20.</p> <p>For a Forward Commitment, the market study must support the underwriting assumptions.</p>





Document	Requirements
Master lease documentation	<p>For a Property subject to a master lease, the Seller must provide:</p> <ul style="list-style-type: none"><li>• A copy of the master lease and all existing amendments</li><li>• An analysis of the master lease by Seller's counsel in accordance with Section 6.7</li></ul>
Mortgage transaction narrative analysis	<p>The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller's option) may be based on the Mortgage Transaction Narrative Analysis – Best Practices.</p> <p><b>a. The mortgage transaction narrative analysis must contain the following:</b></p> <ol style="list-style-type: none"><li>1. Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage</li><li>2. Property's physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages)</li><li>3. Property's financial analysis (profile and trend)</li><li>4. Evaluation of balloon risk that includes the Borrower's ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity</li><li>5. Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment</li><li>6. Market analysis (occupancy, supply and concessions)</li><li>7. History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds</li><li>8. Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including:<ul style="list-style-type: none"><li>• An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor, a Limited Multifamily Experience Sponsor, or a Rapid Growth Sponsor, as provided in Section 9.2(d),</li></ul></li></ol>



Document	Requirements
	<ul style="list-style-type: none"><li>• An estimate of the financial capacity of the Borrower and each Key Borrower Principal (that is, estimated net worth, Liquidity and contingent liabilities), and</li><li>• For TAH Mortgages, a summary of the qualifications of any Borrower Principal whose experience is significant to the success of the deal.</li></ul> <p>9. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee.</p> <p>For Senior Housing Mortgages:</p> <ul style="list-style-type: none"><li>• The State and / or regional location of all properties under management</li><li>• The type and number of acuity of the units managed or owned, and</li><li>• For Seniors Housing Mortgages that do not require a Seniors Housing Liability Assessment, a description of the depth and level of experience of all key personnel on the onsite, corporate, and regional leadership team of the property manager or Operator</li></ul> <p>10. Review of third-party reports, including the Seller/Service's reviews of and comments on the Appraisal, environmental and property condition reports (with full underwriting packages only)</p> <p>11. Loan history if there is an existing mortgage on the Property</p> <p>12. Proposed sources and uses of funds</p> <p>13. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or military population) (this item is not required for Seniors Housing Mortgages)</p> <p>14. Cash equity at risk</p> <p>15. Any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7</p> <p>16. Any exception requests</p>



Document	Requirements
	<p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8.15(a).</p> <p><b><u>b. In addition to items a. 1 – 15 above, for Seniors Housing Mortgages include:</u></b></p> <ol style="list-style-type: none"><li>Property information, including<ol style="list-style-type: none"><li>Property type (Independent Living Property, Assisted Living Property, Alzheimers/Dementia Care Property or Continuing Care Retirement Community (CCRC))</li><li>Number of units and beds</li><li>Average monthly rent</li><li>Percentage of skilled nursing beds, if applicable</li><li>Percentage of net income derived from skilled nursing beds, if applicable</li></ol></li><li>An evaluation of the Borrower's and Third-party Operator's (if any) experience at the Property and its other properties</li><li>The discussion of surrounding property uses must also include hospitals, seniors centers, libraries, restaurants and hotels</li><li>A market analysis, in the description of market supply, must include a list of all comparable properties, including address with zip code, number of units and beds, their service type, and approximate distance from the Property. The Seller must submit at least three comparables.</li></ol> <p><b><u>c. In addition to items a. 1 – 15 above, for a Supplemental Mortgage behind a Securitized First Mortgage, include:</u></b></p> <ol style="list-style-type: none"><li>Confirmation of original UPB, current UPB, amortization (identifying any interest-only period), Annual Debt Service (interest-only and amortizing, as appropriate), and maturity date</li><li>Identification of Securitization pool</li><li>Delinquency report</li><li>Most recent inspection report</li></ol> <p><b><u>d. In addition to items a. 1 – 15 above, for a Mortgage securing a Property subject to a condominium regime:</u></b></p>



Document	Requirements
	<p>See "Condominium Analysis."</p> <p><b><u>e. In addition to items a. 1-15 above, for a Mod Rehab Mortgage:</u></b></p> <ol style="list-style-type: none"><li>Summary of renovation scope, budget, and renovation and lease-up schedule.</li><li>Tax analysis for both the as-is value and the hypothetical as-if renovated and stabilized today value with support tailored to the Property's jurisdiction.</li><li>Sponsor's experience and success with other moderate rehabilitation or value-add projects in recent history with detailed explanation of the extent of the renovations and rent appreciation post renovations.</li><li>Analysis of any anticipated rent increases or expense savings as a result of the planned renovations at the subject property.</li></ol>
Occupancy history	<p>For a Mortgage whose original principal balance is greater than \$100 million, the Seller must provide the annual percentage of physically occupied dwelling units for each of the most recent five years, or for each year since the completion of construction, whichever is less.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Optigo Lender's Fee Certification – Conventional and Targeted Affordable Housing form	<p>Required for all loans where a broker and/or correspondent is involved in the transaction. This form requests certain information about broker and other fees and requires the Seller/Servicer to disclose whether the servicing fee and/or Freddie Mac securitization compensation applicable to a loan will be a factor in determining the broker/correspondent compensation.</p>
Organizational Charts – Borrower, Guarantor (not in Borrower's organizational structure), Master Tenant, Operator, or Pre-Approved Transferee (not in Borrower's organizational structure)	<p>For any entity that is a Borrower, a Guarantor not in the Borrower's organizational structure, Pre-Approved Transferee not in the Borrower's organizational structure, Master Tenant of a Shariah compliant loan, DST loan or other master lease structure or Operator of a Seniors Housing Property, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity:</p> <ul style="list-style-type: none"><li>With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in Borrower's organizational structure, Pre-Approved Transferee not in the Borrower's organizational</li></ul>



Document	Requirements
	<p>structure, Master Tenant or Operator including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust</p> <ul style="list-style-type: none"><li>• That is a Non-U.S. Equity Holder</li><li>• For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer</li><li>• That directly or indirectly Controls Borrower, Guarantor, Pre-Approved Transferee not in the Borrower's organizational structure, Master Tenant or Operator including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust</li></ul> <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>The Seller/Service's counsel must review the Organizational Chart.</p> <p>See Guidance – Organizational Charts at <a href="https://mf.freddiemac.com/lenders/uw">mf.freddiemac.com/lenders/uw</a>.</p>
Payroll schedule	<p>The Seller must provide a current schedule of payroll expenses associated with the operation of the on-site leadership team at the Property, including salary, wages, bonuses, net pay and deductions.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Photographs	<p>The Seller must submit to Freddie Mac photographs clearly illustrating all aspects of the Property, including exterior, interior and street scenes.</p>
Physical Risk Report – Form 1108	<p>The Seller/Service has the option to provide to Freddie Mac a completed Form 1108, Physical Risk Report, meeting the requirements of Chapter 66 in lieu of an environmental report and a property condition report for a Mortgage that meets all of the following conditions:</p> <ul style="list-style-type: none"><li>• The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages</li></ul>



Document	Requirements
	<p>encumbering the Property are \$25 million or less in the aggregate</p> <ul style="list-style-type: none"><li>• The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage</li></ul>
<b>Post-construction analysis report</b>	<p>A post-construction analysis report meeting the requirements of Section 63.5 is required.</p> <p>This report is required for Forward Commitments and for Mod Rehab Mortgages at completion of renovation. See Section 39.9 for submission of a post-construction analysis report for a Mod Rehab Mortgage.</p>
<b>Pre-construction analysis report</b>	<p>A pre-construction analysis report meeting the requirements of Section 63.3(a) is required.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>
<b>Preliminary legal issues memorandum (PLIM)</b>	<p>The Legal Issues Analysis form is used to prepare the preliminary legal issues memorandum (PLIM) prior to loan origination.</p> <p>The Preliminary Legal Issues Memorandum Form – Servicing is the form used to prepare a PLIM meeting the requirements of Section 6.4 for Servicing transactions.</p>
<b>Property condition report</b>	<p>The Seller must provide to Freddie Mac a property condition report meeting the requirements of Chapter 62.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>



Document	Requirements
Property financial statements	<p>The Seller must provide to Freddie Mac financial statements as specified below.</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"><li><b>Historical property financial statements</b><p>The Seller must provide historical property financial statements for the most recent three years, or since the completion of construction of the Property, whichever is less, and including the net rental income, concessions and gross potential rent.</p><p>Additionally, Seller must provide a statement for the twelve-month period prior to the month in which the Borrower has made the financing request (current property financial statement in a T-12 format). If available, this statement must reflect monthly operations for each of the preceding 12 months. If a monthly summary statement is not available, the Seller must provide a current fiscal year-to-date Property financial statement and a monthly statement for each of the three months prior to the month in which the Borrower has made the financing request.</p><p>In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping months between T-12 and the prior year property financial statement.</p><p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p></li><li><b>Borrower’s budgeted property financial statements</b><p>The Borrower’s budget for the following 12-month period</p><p>The document(s) must be certified using Form 1112.</p><p>The Seller must review the property financial statements, which must include income and expense statements.</p><p>If the financial statements are audited, they must include a statement of changes in financial position and all notes.</p></li></ul>



Document	Requirements
	<p>For a refinance of an MHC with Manufactured Home(s) owned by the Borrower or an Affiliate of the Borrower, the Seller must provide income and expense statements of the Manufactured Home(s) which must be certified using Form 1112.</p> <p>For (i) a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, or (ii) a Supplemental Mortgage where the Seller both originated the senior Mortgage and is the current Servicer of the senior Mortgage, the Seller must also provide the Servicing Statements used to reconcile the historical property financial statements as required in Section 11.7(b) if such Servicing Statements are not already present in DMS for the existing Mortgage.</p>
Property inspection documentation	<ul style="list-style-type: none"><li>• Prior to early rate-lock, the Seller must complete and document the inspection described in Section 8.15(a)</li><li>• At full underwriting, the Seller must complete and document the property inspection described in Section 8.15(b)</li><li>• Prior to commitment under a Forward Commitment, the Seller must conduct a Forward Commitment Property Inspection as described in Section 8.16</li><li>• Prior to conversion under a Forward Commitment, the Seller must conduct a complete property inspection as described in Section 8.15(b)</li></ul> <p>The inspection requirements must be completed within 90 days of Freddie Mac's receipt of the applicable underwriting package.</p> <p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form.</p> <p>If the Seller inspection was not completed on the same day as the inspection for either the Appraisal and/or the physical condition report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p> <p>See Section 8.15 for additional information regarding property inspection requirements.</p> <p>For (i) a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, or (ii) a Supplemental Mortgage where the Seller both originated the senior Mortgage and is the current Servicer of the</p>





Document	Requirements
	senior Mortgage, the Seller must also provide the most recent annual servicing inspection report if such inspection report is not already present in DMS for the existing Mortgage.
Proposed transaction schedule	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a proposed transaction schedule that sets forth the schedule and timing for the bond transaction, including the scheduled conference calls, timing for the delivery of documents and the closing date.
Purchase agreement documentation	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"><li>• A copy of the purchase agreement and all amendments</li><li>• An analysis of the purchase agreement and all amendments by Seller’s counsel using the Purchase Agreement Analysis form</li></ul> <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>
Quote	The Seller must provide a copy of any written Quote issued by Freddie Mac, or a statement indicating the date and terms of the verbal Quote the Borrower has selected.
Real Estate Schedule, Form 1116	<p>The Seller must provide to Freddie Mac a Form 1116, Real Estate Schedule, for all real estate in which any Key Borrower Principal that is not newly formed currently has a current ownership interest as a Borrower or Key Borrower Principal.</p> <p>If alternative documentation to Form 1116 is submitted, this documentation must be materially similar, include all key data points necessary to properly assess risk, and be acceptable to Freddie Mac.</p> <p>An Excel version of the Real Estate Schedule is preferred and must be submitted for (i) First-Time Sponsors, (ii) Limited Multifamily Experience Sponsors, or (iii) Rapid Growth Sponsors.</p> <p>NOTE: A Real Estate Schedule is not required for the Seller/Service or its affiliate when the Seller/Service or its affiliate has an equity interest in the Borrower in the form of a Preferred Equity investment and is a Pre-Approved Transferee under the Mortgage.</p>



Document	Requirements
	<p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p> <ul style="list-style-type: none"><li>• Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following:<ul style="list-style-type: none"><li>○ The full recourse obligation to the lender, including the entire amount of joint and several guarantees</li><li>○ For loans on properties under construction, the loan amount drawn to date and the as-is value</li></ul></li><li>• Provide a written explanation of any non-performing assets in its portfolio</li></ul> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1116 unless specifically requested by Freddie Mac.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>If the Property is a Cooperative or MHROC, the Form 1116 may be waived.</p>
Real Estate Schedule Addendum – Seniors Housing	See “Seniors Housing Real Estate Schedule Addendum.”
Real estate tax bill	<p>If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property’s local taxing authority.</p> <p>If the Mortgage is being originated for the purpose of new construction, a real estate tax bill is not required.</p>
Registration of rental units (rent control/ stabilization)	The Seller must provide to Freddie Mac proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property. Freddie Mac may require similar proof of compliance with such requirements for prior years and may require



Document	Requirements
	other evidence of compliance with State or local rent control or stabilization laws in other States.
<b>Renovation documentation – Mod Rehab Mortgages and Preservation Rehabilitation Mortgages</b>	<p>For all Mod Rehab Mortgages, the Seller/Service must provide the documentation listed below. For a Preservation Rehabilitation Mortgage, Freddie Mac may request the Seller/Service to include the following documentation in the underwriting package. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"><li>• Construction budget – hard costs and material quantities</li><li>• Development budget – total project costs, including soft costs, financing costs, land acquisition expenses and hard costs</li><li>• Construction schedule – the timeline for major construction activities</li><li>• Lease-up schedule – the timeline for the lease-up</li><li>• Final plans and specifications – a clear picture of the Property's appearance and new features post-renovation. Plans and specifications are considered to be final when they are stamped and sealed by the associated professional</li><li>• Construction contract – the contract between the Borrower and the general contractor for the completion of all planned renovations</li><li>• Development team's qualifications – key staff resumes, a summary of experience with similar projects and years in business. Members of the development team include the sponsor, the architect, the general contractor and the management company</li><li>• Servicing team's qualifications – staff resumes and summary of experience with similar projects. Members of the Servicing team include individuals responsible for administration and those responsible for physical inspections</li></ul> <p>Work in Progress: If renovation work commenced before underwriting, additional information is required. The document(s)</p>



Document	Requirements
	<p>must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"><li>• Sponsor certification regarding all work completed and costs expended</li><li>• All executed change orders to date</li><li>• All construction monitoring reports to date.</li></ul> <p>For any new construction (i.e., new residential or amenity building), a more detailed breakout within the budget, schedule, and plans/specs is required. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>See Chapter 63 for additional information about renovation documentation.</p>
<b>Rent, income and use restriction documentation</b>	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p> <p>If applicable, see also:</p> <ul style="list-style-type: none"><li>• Land Use Restriction Agreement (LURA)/Regulatory Agreement (for tax-exempt bonds, if applicable, and LIHTC)</li><li>• Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</li><li>• Housing Assistance Payments (HAP) contract</li><li>• Registration of rental units (rent control/stabilization)</li></ul>
<b>Rent roll</b>	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at <a href="https://mf.freddiemac.com/docs/rent_roll_template.xls">https://mf.freddiemac.com/docs/rent_roll_template.xls</a>.</p> <ul style="list-style-type: none"><li>• Is dated within 30 days of the underwriting package submission.</li></ul>



Document	Requirements
	<ul style="list-style-type: none"><li>Is complete with respect to the required information below for each unit:</li></ul> <p><u>For a Property that is not secured by a Seniors Housing Mortgage:</u></p> <ol style="list-style-type: none"><li>"As of" date of the rent roll clearly indicated within the document</li><li>Tenant's name(s)</li><li>Unit number or identification</li><li>Unit type (number of bedrooms and bathrooms)</li><li>Square footage of each unit</li><li>Occupancy status by unit and by bed, if applicable</li><li>Identification of any employee units, model units, corporate units and units used as rental offices</li><li>Monthly contract rent</li><li>Concessions, rebates or discounts given to tenant, if applicable</li><li>Arrearages owed by tenant, if any</li><li>Subsidies, if applicable (specify type)</li><li>Rent controlled or rent stabilized, if applicable</li><li>Original occupancy date, per tenant</li><li>Lease commencement date</li><li>Lease expiration date and renewal options, if any</li><li>Month-to-month status, per tenant</li><li>Amount of security deposit held</li><li>Furnished or unfurnished status</li></ol>



Document	Requirements
	<p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p><u>For a Property secured by a Seniors Housing Mortgage:</u></p> <ol style="list-style-type: none"><li>1. "As of" date of the rent roll clearly indicated within the document</li><li>2. Tenant's name(s)</li><li>3. Unit number or identification</li><li>4. Unit type (number of bedrooms and bathrooms)</li><li>5. Occupancy status</li><li>6. Identification of any employee units, model units, corporate units and units used as rental offices</li><li>7. Monthly rent and concessions, if applicable, without regard to any applicable additional resident fees, subsidies, or concessions, rebates or discounts given to tenant. If Property or resident receives any Medicaid income, Medicaid subsidy/ reimbursement must be listed separately from the rent the resident pays</li><li>8. Entrance fees, community fees or other upfront fees held or charged (refundable or nonrefundable)</li><li>9. Additional fees for second residents, if applicable. If the unit has two unrelated occupants, rents for each resident should be combined</li><li>10. Fees for resident care associated with Activities of Daily Living (ADLs)</li><li>11. Miscellaneous ancillary fees, such as furniture rental, beautician, unscheduled transportation or interest income</li><li>12. Arrearages owed by tenant, if any</li><li>13. Lease commencement date</li></ol>



Document	Requirements
	<p>14. Original occupancy date, per tenant</p> <p>15. Lease expiration date and renewal options, if any</p> <p>16. Month-to-month status, per tenant</p> <p>17. Amount of security deposit held</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p><u>For Mortgages originated under a Forward Commitment:</u></p> <ul style="list-style-type: none"><li>• A rent roll is not required in the full underwriting package for a Mortgage originated for new construction</li><li>• For a TAH Cash or TAH Bond Credit Enhancement Conversion Underwriting Package, the rent roll must cover the preceding 90 days and must be dated within 45 days of the Conversion</li></ul> <p>In addition to the rent roll, for an LIHTC Property where the Income Averaging Set-Aside has been applied, the Seller must provide a rent roll analysis confirming that rents on the Origination Date will meet the average AMI requirements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Residential lease sample	Freddie Mac requires the property inspector to upload, to DMS as part of the required Property Inspection documentation, a sample or unexecuted residential lease or an executed residential lease.
Seismic risk documentation	If a Property is located in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64.2. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary.



Document	Requirements
<b>Seller’s certification and disclosure of any HUD-2530 issues relating to the Borrower Principal and Property Manager</b>	Freddie Mac requires the Seller to certify and disclose any issues with the Borrower Principal and Property manager that may have been identified on a Form HUD-2530, <i>Previous Participation Certificate</i> . This form is HUD’s centralized review of the past/present performance of those principals applying for participation in HUD’s multifamily housing programs. Principals are reviewed to see if they have carried out their past financial, legal, and administrative obligations in a satisfactory and timely manner.
<b>Seller’s certification regarding compliance with representations and warranties</b>	<p>The Seller must provide to Freddie Mac the following certification in a letter on the Seller’s stationery:</p> <p>“Seller certifies that it is familiar with and in compliance with the warranties and representations that, pursuant to Chapter 5 of the Freddie Mac <i>Multifamily Seller/Service Guide</i>, it is deemed to make with respect to each Mortgage and related information delivered to Freddie Mac.”</p>
<b>Seller’s mortgage loan application with Borrower</b>	<p>For all Mortgages, the Seller must provide to Freddie Mac a copy of the mortgage loan application executed by the Borrower and submitted to the Seller. The application must evidence all material terms of the proposed mortgage financing. In addition, for Mortgages submitted under the early rate-lock delivery option, the Seller’s application must evidence the Borrower’s obligation to pay the Borrower Breakage Fee (see Section 27.2).</p> <p>For any Mortgage, the mortgage loan application must include the following authorization by the Borrower:</p> <p>“The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the “Mortgage”) to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower’s signature below constitutes the Borrower’s authorization for Freddie Mac to publicly use, at Freddie Mac’s discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p> <p>For any cash execution Mortgage, the mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"><li>• “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial</li></ul>





Document	Requirements
	<p>statements from the Borrower outlining the Property's financial performance."</p> <ul style="list-style-type: none"><li>• "The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac's portfolio."</li></ul> <p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement program, the mortgage loan application must include the following authorization by the Borrower:</p> <p>"The Borrower understands that Freddie Mac intends to credit enhance the mortgage loan for which Borrower is applying (the "Mortgage"). If Freddie Mac credit enhances the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage."</p>
<b>Seller's pro forma property financial statements</b>	<p>The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>
<b>Seniors Housing agreements and contracts</b>	<p>The Seller must provide to Freddie Mac a copy of all potentially material contracts and agreements by the Borrower, manager or operator of the Property related to the ownership and operations of the Seniors Housing Property, acceptable to Freddie Mac, including, but not limited to contracts:</p> <ul style="list-style-type: none"><li>• For preparing and serving food (not including food supply contracts)</li><li>• For medical services or healthcare provider agreements, regardless of annual consideration or term, or</li><li>• Of which the average annual consideration, directly or indirectly, is at least \$50,000</li></ul>



Document	Requirements
	<p>Generally, copies of contracts for routine maintenance such as landscaping, snow removal or general office equipment are not required.</p> <p>The Seller must also provide a certification from the Borrower listing the contracts that fall into the foregoing categories, and who among the Borrower, operator, and property manager is a party to each contract. If there are no contracts that fall into the foregoing categories, the Seller must provide a certification from the Borrower to that effect.</p> <p>The Legal Issues Analysis must specify (i) any contracts that should be considered material for purposes of the Loan Agreement, and (ii) recommendations regarding assignments of contracts that are not in the Borrower's name.</p>
Seniors Housing Liability Assessment	<p>If the Property includes assisted living, Alzheimer's care or skilled nursing units, the Seller must provide to Freddie Mac a Seniors Housing Liability Assessment for each property manager or Operator to evaluate its risk management practices with respect to employees, residents and incident reporting.</p> <p>The Seniors Housing Liability Assessment must be performed by a professional meeting the requirements of Section 21.2(i) and the Seller/Serviceur must document the suitability of the professional in the Liability Assessment.</p> <p>The Seniors Housing Liability Assessment must address the following topics:</p> <p><b>1. Professional Qualifications</b></p> <p>a. Experience Minimum of five years' experience in geriatrics/long-term-care clinical practices.</p> <p>b. Education Minimum of five years as a Licensed Administrator, licensed practical nurse (LPN) registered nurse (RN), or Physician Extender (PA, RNP)</p> <p>c. References, which address:</p> <p>1. Scope of work</p>



Document	Requirements
	<div><div><div>2. Quality of recommendations given</div><div>3. Quality of resources provided</div><div>4. Timeliness of work product</div></div><div><div>d. Sample work product:</div><div><div>1. Copy of typical assessment report</div><div>2. Sample recommendations based on industry exposures</div><div>3. Sample resources provided to clients to assist in reducing risk to claims</div><div>4. Training programs offered</div><div>5. Monitoring programs offered</div></div></div></div> <div><div>2. Employee Practices</div><div><div>a. Risk Management policies and procedures identifying background checks, reference checks and analyzing the background of individuals employed at the Property (e.g., appropriate credentials and certifications)</div><div>b. Hiring and screening practices and personnel policies (e.g., employee handbook, orientation materials, initial and in-service training materials, available resources, etc.)</div><div>c. Identification of the use of electronic systems including Billing, Medical Administration Record (MAR), Patient care management, and Marketing</div><div>d. Compliance with State property staffing requirements including staff to resident ratios per shift and temporary staff and shift change procedure as applicable by State regulations</div></div></div> <div><div>3. Management Practices</div><div><div>a. Key Topics</div><div><div>1. Evidence of written employee policies and procedures manual</div><div>2. Staff orientation, screening and discipline regarding resident care issues</div></div><div>b. List of key Property level staff including:</div><div><div>1. A list of the key Property level positions</div></div></div></div>



Document	Requirements
	<div><div><div>2. The tenure of individuals in their positions at the facility</div><div>3. The amount of experience the individuals have in the seniors housing industry</div><div>4. Resumes should be attached to the report</div></div><div>c. Identification of the availability and usage of home health services including:<div><div>1. Identify whether home health services are being used at the Property</div><div>2. Identify who is providing or contracting with the home health services – for example is it the Borrower, a Borrower Affiliate, the Operator, an Operator Affiliate, or a third party</div><div>3. If home health services are provided or contracted by the Borrower or Operator verify the provider's certification or licensing, as required by State as well as a copy of the referenced contract</div><div>4. Identify whether the home health provider leases space or not at the Property</div><div>5. Type of services offered by home health agency</div></div></div><div>d. Risk management policies and procedures, including identifying and analyzing the background/experience of individuals employed by the Borrower or the Operator to handle insurance and risk management matters.</div><div>e. Corporate / Regional Support and Quality Assurance:<div><div>1. Discussion of the corporate / regional oversight or 3<sup>rd</sup>-party contract of the facility including identification of the corporate / regional staff that visit the Property including their title and frequency of visits</div><div>2. Copy of any risk management tools and summary reports/ audits, if available</div><div>3. Implementation of a quality assurance program addressing the regulatory compliance and whether internal results are tracked, trended, analyzed or benchmarked against other properties operated</div></div></div><div>4. Resident Practices:<div><div>a. The following must be provided, documented, and analyzed regarding resident practices:</div></div></div></div>



Document	Requirements
	<div><div><div>1. Copy of written admission agreement(s) and fees that identify scope of services to be provided</div><div>2. Copy of resident assessment forms and qualifications of staff responsible for assessing residents prior to admission, as well as how often residents are assessed going forward</div></div><div><div>b. Confirmation that specific policies and procedures are in place to address the following conditions:<div><div>1. Resident service plan established and updated with changes in condition</div><div>2. Resident evacuation in case of emergency</div><div>3. Fall management</div><div>4. Elopement/Wandering</div><div>5. Skin Care</div><div>6. Elder Abuse</div><div>7. Dehydration/Malnutrition</div><div>8. Neglect</div><div>9. Mental health behavior plan</div><div>10. Physical notification for change in resident condition</div><div>11. Medication management</div><div>12. Smoking</div><div>13. Transfer/Discharge</div><div>14. Infectious Control</div></div></div></div></div> <div><div>c. Collection of Resident Turnover data by care type to calculate the turnover ratio for the most current year available</div></div> <div><div>5. Regulatory Compliance:<div><div>a. Identity of governmental authorities with jurisdiction over the Property, as well as each governmental authority's definition of the level of care permitted at the Property.</div><div>b. Copies and a summary of all governmental surveys for last three-years or three certification periods including a summary and analysis of any deficiencies or enforcement actions cited in the surveys. The severity, repeated deficiencies and type of enforcement action (such as probation or ban on admissions) must be part of the analysis, categorized by the following topics:<div><div>1. State Health Inspections</div></div></div></div></div></div>



Document	Requirements
	<div><div><div>2. Fire / Life Safety Inspections</div><div>3. Food Safety Inspections</div></div><div><div>c. Copies of the Plan of Corrections (POCs) submitted by the owner or Operator and the date of acceptance of the government authority, if applicable. If the POC has not been accepted by the government authority, then the process required to resubmit plan of correction of deficiencies must be provided including any steps already taken or remaining to complete. If the correction requires re-inspection, this should be noted and whether it will occur at the next standard licensure inspection or earlier date.</div><div>d. Discussion of whether the Property is in substantial compliance from most recent inspection and is permitted to continue operations until re-inspection.</div><div>e. List and copies of all licenses and permits needed to operate the Property, the expiration date of such licenses, and if the license is transferable to include, but not limited to:<div><div>1. State health licenses</div><div>2. Business licenses</div><div>3. Food permits</div></div></div><div>f. If a change in licensure is necessary, the report must detail the summary of licensing procedures required to affect a change in Property ownership, any service provider, authority to operate, or management, including the timeline for licensure change, the identification of the State or local governmental authority that needs to receive notice or provide approval, and the content of the notice.</div><div>g. If the Property receives any sort of subsidy program (for example Medicaid/ Medicare), then the report must include the following:<div><div>1. Assessment of the status of any federal, state, or local proposed regulations or amendments to existing regulations that could affect the Property</div><div>2. Identification and analysis of any special insurance requirements required by any government authority.</div></div></div></div><div><div>Recommendation / Summary:</div><div>a. Onsite inspection of the Property</div></div></div>



Document	Requirements
	<p>b. An overall assessment of employee, management and resident practices as well as regulatory compliances affecting the Property, including the identification and analysis of shortcomings with recommendations on matters to the ownership, operation or management of the Property</p> <p>c. List of sources and references used to complete the report</p>
<b>Seniors Housing licenses and certificates</b>	<p>The Seller must provide the following to Freddie Mac:</p> <ul style="list-style-type: none"><li>• A list of any and all licenses, certificates and permits required for the operation of the Property</li><li>• A copy of each existing license, certificate or permit issued by any governmental or regulatory authority, whether issued to the Borrower, the manager or the operator of the Property, and the renewal date of each such license, certificate or permit</li><li>• Documentation pertaining to any pending or outstanding violations, findings, investigations or corrective actions by such governmental or regulatory authority with respect to the Property and the status of any corrective actions pending or resolved within the previous three years</li></ul> <p>See Section 21.3(e) for additional license requirements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<b>Seniors Housing list of furniture, fixtures, equipment and motor vehicles</b>	<p>The Seller must submit to Freddie Mac a list of items or classes of items of all furniture, fixtures, equipment and motor vehicles located on or used in connection with the Property ("FF&amp;E") that are not owned by the Borrower, including the name of the owner of each item.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>If all FF&amp;E is owned by the Borrower, the Seller must provide a certification from the Borrower to that effect.</p> <p>The Legal Issues Analysis must include the Seller's counsel's recommendation with respect to the Lender's security interest in FF&amp;E and motor vehicles not in the Borrower's name.</p>



Document	Requirements
Seniors Housing Management Assessment	<p>A Seniors Housing Management Assessment is required for any Seniors Housing Mortgage with a UPB greater than or equal to \$50 million, or for any Seniors Housing Mortgage that is part of a crossed pool, if the pool has a UPB greater than or equal to \$100 million.</p> <p>The Seniors Housing Management Assessment is a narrative report that describes and assesses the experience and capabilities of the Manager or Operator of the Property regarding the daily use and operation of the Property. It is required, whether the Manager or Operator of the Property is or is not an affiliate of the Borrower.</p> <p>The Seller may prepare the Seniors Housing Management Assessment or may contract for its preparation by a third-party.</p> <p>The Seniors Housing Management Assessment must address each of the categories outlined below:</p> <p><b>1. Management structure and experience</b></p> <ul style="list-style-type: none"><li>a. Organizational charts that identify all reporting relationships at the corporate, regional, and Property levels</li><li>b. Description of the depth and level of experience of all key personnel at the corporate, regional, and Property levels</li></ul> <p><b>2. Employee / Management Practices</b></p> <ul style="list-style-type: none"><li>a. Corporate, regional, and Property level hiring and retention practices</li><li>b. Interaction between corporate / regional staff with Property level staff</li><li>c. Corporate training practices</li></ul> <p><b>3. Healthcare IT</b></p> <p>Review of the corporate and property level healthcare information technology including accounting, resident management, marketing, resident assessments, resident service plans, activities, medication administration records, and electronic health records.</p>





Document	Requirements
	<p><b>4. Risk Management Program</b></p> <p>a. Corporate policies and procedures for reviewing, investigating, and reporting incidents and accidents</p> <p>b. Corporate level assessment of operations and clinical issues</p> <p>c. Corporate GL/PL insurance overview</p> <p><b>5. Regulatory Compliance</b></p> <p>Corporate quality assurance program practices.</p> <p><b>6. Summary and Conclusion</b></p> <p>Overall conclusion on the competency of Manager or Operator experience and capabilities and whether they meet, exceed, or fall short of industry standards.</p>
Seniors Housing operating lease	<p>For any operating lease at the Property that will be in place on the Origination Date, the Seller must provide:</p> <ul style="list-style-type: none"><li>• A copy of the complete operating lease; and</li><li>• An Operating Lease Analysis completed by the Seller’s counsel, using the form available at <a href="http://mf.freddie.mac.com/lenders/legal">mf.freddie.mac.com/lenders/legal</a></li></ul>
Seniors Housing Real Estate Schedule Addendum	<p>In addition to the Form 1116, Real Estate Schedule, or other form, for a Borrower who leases the Property to a third-party operator, the Seller must provide Freddie Mac with the following information for each of the other such properties run by the operator:</p> <ol style="list-style-type: none"><li>1. Name, address and location</li><li>2. Term of the contract</li><li>3. Property owner's name, address and telephone number</li><li>4. Type of resident care, if any, provided (for example, independent living, assisted living, dementia care or skilled nursing care)</li></ol>



Document	Requirements
	<p>5. A list of any required licenses and certifications that are not current and in good standing</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Sources and Uses	<p>The Seller must provide details about a transaction's cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>For acquisitions, the verified Liquidity for Key Borrower Principals in the case of a (i) First-Time Sponsor, (ii) Limited Multifamily Experience Sponsor, or (iii) Rapid Growth Sponsor will be assessed against the funds needed to close (purchase price plus closing costs). In the event the Liquidity is determined to be insufficient, Freddie Mac may consider the Liquidity reported in the certified financial statements for other Key Borrower Principals in the assessment against the funds needed to close. Seller may be required to provide a detailed explanation of the source of funds necessary to close (including party names and respective equity contribution), certified by the Borrower, along with any supporting documentation as required by Freddie Mac. U.S. Public Companies and Governmental Entities are exempt from this additional verification analysis.</p> <p>Sources and uses may be included in the mortgage transaction narrative analysis.</p>
Student Housing Questionnaire, Form 1120	<p>The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire, for each Student Housing Property.</p>
Subordinate debt documentation	<p>The Seller must provide documentation for any subordinate debt, such as the note, mortgage, loan agreement and regulatory agreement or, if the subordinate loan has not yet been originated, the forms of such documents and the commitment for the subordinate loan.</p>
Summary of interest rate hedge terms	<p>The Seller must provide to Freddie Mac a summary of interest rate hedge terms.</p>



Document	Requirements
Survey	A current survey of the Property meeting the requirements of Section <del>29-529.4</del> . If the Mortgage is being originated for the purpose of new construction, an as-built survey is not required.
Verification of Collections, Form 1144	For a Targeted Affordable Housing Mortgage, the Seller must provide to Freddie Mac Form 1144, Verification of Collections, completed and certified by the Borrower or Key Borrower Principal. The last full month of verified collections must be dated within 30 days of package submission, unless otherwise specified by Freddie Mac. In lieu of a Form 1144, the Borrower may provide certified operating statements for the most recent three months.
Wood-damaging insect inspection documentation	<p>A wood-damaging insect inspection report is not required if the Property has no wood framing or structural members (i.e., significant components that could be subject to damage by wood-damaging insects, such as termites, powderpost beetles, carpenter ants, etc.) as determined by either the Property Condition Report or the Physical Risk Report.</p> <p>For any Property with wood framing or structural members as described above, the Seller must provide the following documentation to Freddie Mac:</p> <ul style="list-style-type: none"><li>• A wood-damaging insect inspection report stating that there is no evidence of wood-damaging insect infestation, or</li><li>• Certification from the Property's current pest control provider stating that there is no evidence of wood-damaging insect infestation and the Property is regularly inspected and/or treated to prevent wood-damaging insect infestation.</li></ul> <p>The wood-damaging insect inspection report or the certification from the Property's current pest control provider must be dated within six months prior to the date of the submission of the full underwriting package to Freddie Mac.</p> <p>Notwithstanding the above, the documentation listed above is not required if the following three conditions are satisfied:</p> <ul style="list-style-type: none"><li>• The Borrower provides documentation confirming that there is a wood-damaging insect contract in place for the Property;</li><li>• A wood-damaging insect contract will remain in place for the term of the Mortgage, and</li><li>• There is no evidence of wood damage per the Property Condition Report (if applicable);</li></ul>



Document	Requirements
	See also Sections 62.5(a), Property grounds and buildings, 62.5(e) Wood-damaging insects and 8.2(e) Wood-damaging insect inspection reports.
Zoning documentation	<p>The Seller must provide a zoning report by a third-party reporting company. See Section 8.5 for additional documentation and analysis requirements if:</p> <ul style="list-style-type: none"><li>• The Property does not conform to current zoning regulations</li><li>• A zoning report is not available in the jurisdiction where the Property is located</li><li>• Not all certificates of occupancy required for the use, operation and occupancy of the Property are available</li></ul> <p>Regardless of whether a zoning report is required, for all full underwriting packages, the Seller must include all available certificates of occupancy as part of the zoning documentation.</p> <p>The zoning report may also include documentation of building code violations.</p> <p>A zoning report is not required if the Appraisal includes the zoning analysis required by Section 60.12(f)(2) and all of the following conditions are met:</p> <ul style="list-style-type: none"><li>• The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate</li><li>• The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage</li></ul> <p>See Section 8.5 for complete requirements.</p>

55.3 Requirements for documents contained in the prescreen package (04/13/23)

Cell phone tower lease	The Seller must provide an analysis of cell phone tower leases, if any.
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<b>TAH Conflicts Check – Transaction Parties and Details</b>	The Seller must include a completed copy of the TAH Conflicts Check – Transaction Parties and Details for all Tax-Exempt Loans, Tax Exempt Bond Credit Enhancement Mortgages, and, upon request, for other TAH Mortgages.
<b>Draft Appraisal</b>	The Seller may provide a summary of a draft Appraisal for the Property, if available.
<b>Environmental report and alternatives</b>	The Seller must, to the extent available, provide an environmental report analysis meeting the requirements of Chapter 61.
<b>Financial statements of Borrower and Key Borrower Principals</b>	<p>The Seller must provide, to the extent available, current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>If current certified financial statements are unavailable, the Seller must provide an informed analysis, developed based on discussions and other due diligence, of the financial capacity of the Borrower(s) and Key Borrower Principal(s).</p>
<b>Information on similar projects completed</b>	The Seller must provide information on, and analysis of, targeted affordable housing projects that the Borrower has completed, for new construction or rehabilitation, that are similar in size and scope and/or are in the same market or sub-market.
<b>TAH Request for Initial Cash Quote or Initial Bond Quote</b>	The Seller must provide, as applicable, a completed copy of the TAH Request for Initial Cash Quote or the TAH Request for Initial Bond Quote, available at <a href="http://mf.freddie.mac.com/lenders/uw">mf.freddie.mac.com/lenders/uw</a> .
<b>Loan Submission Template for Targeted Affordable Housing</b>	The Seller must include a completed copy of the Loan Submission Template for Targeted Affordable Housing that is provided to the Seller by Freddie Mac. The latest version of the Template can be found at <a href="http://mf.freddie.mac.com/lenders/uw/loan_submission_template.html">mf.freddie.mac.com/lenders/uw/loan_submission_template.html</a> .



<b>Market study</b>	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"><li>1. Market area definition</li><li>2. Physical and location analysis</li><li>3. Economic analysis</li><li>4. Demographic analysis</li><li>5. Supply analysis</li><li>6. Demand analysis</li><li>7. Capture rate analysis</li><li>8. Recommendation</li></ol>
<b>Prescreening Executive Summary</b>	<p>The Seller must include a completed copy of the Prescreening Executive Summary form provided to the Seller by Freddie Mac.</p>
<b>Property condition report</b>	<p>The Seller must, to the extent available, provide an analysis of the property condition report meeting the requirements of Chapter 62.</p>
<b>Real Estate Schedule, Form 1116</b>	<p>The Seller must provide a Form 1116, Real Estate Schedule, or other form that contains comparable information, for all real estate in which any Key Borrower Principal currently has a direct or indirect interest.</p>
<b>Rent comparables summary</b>	<p>The Seller must provide a list of comparable properties in the market/submarket, detailing rents, unit size, unit mix, etc.</p>
<b>Resumes of Borrower and Key Borrower Principals</b>	<p>The Seller must provide a description of the Borrower's and Key Borrower Principals' (and Borrower Principals on TAH Mortgages where the qualifications of the Borrower Principal is significant to the success of the deal) experience with projects that are comparable in size and scope to the proposed transaction.</p>

<b>Summary report:</b> <b>Litera Compare for Word 11.0.0.61 Document comparison done on</b> <b>4/17/2025 3:53:17 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 55 - Doc and Deliveries GB-02-27-25.docx	
<b>Modified filename:</b> 55 - Doc and Deliveries GB-04-22-25.docx	
<b>Changes:</b>	
Add	10
Delete	7
Move From	0
Move To	0
Table Insert	1
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	18

# Multifamily Seller/Service Guide

## Chapter 55SBL

### SBL Documentation and Deliveries



#### 55SBL.1 Use of Chapter 55SBL (12/14/23)

- a. Preparing an underwriting package (12/14/23)
- b. Preparing documentation required for a Transfer of Ownership (06/29/17)
- c. Notification requirements regarding updates to the underwriting package (02/16/23)
- d. Ability to request additional information (04/13/23)

55SBL.2 ~~Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (02/27/25)~~ Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (04/22/25)





**55SBL.1 Use of Chapter 55SBL (12/14/23)**

This Chapter 55SBL applies to SBL Mortgages originated under Chapter 18SBL. In this Chapter 55SBL, SBL Seller/Service providers are referred to as “Seller,” and SBL Mortgages are referred to as “Mortgages.”

Chapter 55SBL is to be used in the preparation of an underwriting package for an SBL Mortgage, and in the preparation of documentation to be submitted to Freddie Mac in connection with a Transfer of Ownership, as indicated in Chapter 41SBL.

**a. Preparing an underwriting package (12/14/23)**

**1. Due Diligence – Chain of Custody.**

- A. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting package as set forth in this chapter (other than Freddie Mac required third-party reports) must be delivered directly to the Seller/Service provider by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Service provider will be deemed to represent and warrant to Freddie Mac that it has complied with the due diligence and underwriting documentation chain of custody requirement.

**2. Documentation Delivery.** At the Seller's expense, the Seller must deliver the documents to Freddie Mac and remit any required fees to Freddie Mac by wire transfer, subject to Freddie Mac's approval.

- A. The Seller must obtain wire transfer instructions from the *Applicable Freddie Mac Multifamily Regional Office*.
- B. The Seller must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.
- C. With respect to each delivery:
  - The Seller must deliver the documents simultaneously.
  - The Seller may not make any changes to forms prescribed by Freddie Mac without prior written authorization from Freddie Mac.

If the delivery is incomplete, if the documents have not been properly prepared, or if the documents do not, or the delivery does not, otherwise conform to Freddie Mac requirements, Freddie Mac cannot process the package.



b. Preparing documentation required for a Transfer of Ownership (06/29/17)

Instructions for the preparation of documentation for a Transfer of Ownership can be found in Chapter 41SBL.

c. Notification requirements regarding updates to the underwriting package (02/16/23)

The Seller/Service must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

d. Ability to request additional information (04/13/23)

Notwithstanding the documentation requirements in Section 55SBL.2, Freddie Mac reserves the right to request any document identified in Section 55SBL.2 from any Borrower Principal.

55SBL.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (02/27/2504/22/25)

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

Document	Requirements
Access easement and Essential Facilities and/or Recreational Facilities easement documentation	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"><li>• If the Property shares primary ingress and/or egress with adjacent or neighboring properties<ul style="list-style-type: none"><li>○ Documentation in accordance with Section 8SBL.6</li><li>○ A PLIM, if required by Freddie Mac</li><li>○ A copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable</li><li>○ An opinion from a land use attorney acceptable to Freddie Mac, if requested by Freddie Mac</li></ul></li><li>• If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the</li></ul>



Document	Requirements
	<p>owner</p> <ul style="list-style-type: none"><li>○ Documentation in accordance with Section 8SBL.6</li><li>○ A PLIM, if required by Freddie Mac</li></ul> <ul style="list-style-type: none"><li>• See also “confirmation of or a request for approval of shared facilities or access.”</li></ul>
<b>Aged Receivables Report</b>	<p>The Seller must review and submit to Freddie Mac a report which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report should be dated as of the ending T-12 period for the current property financial statement submitted.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<b>Appraisal</b>	<p>The Seller/<u>Servicer</u> must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the Additional Appraisal Requirements Memorandum.</p> <p>The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.</p>
<b><u>Appraisal Revision Summary</u></b>	<p><u>For a Mortgage taken under application on or after June 2, 2025, the Seller/Servicer must provide an Appraisal Revision Summary as required by Section 60.10. The Seller/Servicer may use the Freddie Mac template or another format as long as it includes the information required in Section 60.10.</u></p>
<b>Borrower and Key Borrower Principal Blanket Certification, Form 1112</b>	<p>Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation:</p> <ul style="list-style-type: none"><li>• Property Financial Statements (Historical and Budgeted)</li></ul>

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Document	Requirements
	<ul style="list-style-type: none"><li>• Rent Roll</li><li>• Real Estate Schedule</li><li>• Financial Statement</li><li>• Monthly collections, if not submitted and certified by Form 1144, Verification of Collections</li><li>• Other documentation, as applicable (i.e., Aged Receivable Report, Liquidity verification documentation etc.)</li></ul> <p>Form 1112 must be completely populated, including an indicator for the document(s) being certified as well as the applicable date(s) of the document(s).</p> <p>The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.</p>
<b>Borrower and Key Borrower Principal Certificate, Form 1115</b>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with a Form 1115, Borrower and Key Borrower Principal Certificate, executed by each individual Borrower or Key Borrower Principal, as applicable.</p> <p>Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals:</p> <ol style="list-style-type: none"><li>1. Past mortgage payment and default experience</li><li>2. History of criminal, administrative, and/or litigation proceedings</li></ol> <p>Each Certificate must be dated not more than 60 days prior to the date the Seller submits the underwriting package to Freddie Mac ("Submission Date").</p> <p>For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form 1115. The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date.</p>



Document	Requirements
<b>Borrower’s budgeted property financial statements</b>	See “property financial statements.”
<b>Breakdown of construction costs</b>	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see “capital improvement documentation.”</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<b>Calculation of prepayment premium</b>	For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.
<b>Capital improvement documentation</b>	<p>When required by Freddie Mac, the Seller must submit:</p> <ul style="list-style-type: none"><li>• For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction</li><li>• For any major past renovations, a summary of these renovations and documentation concerning the costs</li></ul> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<b>Certification — Organizational Chart, Form 1114</b>	A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new Form 1114, Certification – Organizational Chart.
<b>Certified Organizational Chart</b>	An Organizational Chart that is certified using Certification – Organizational Chart, Form 1114.
<b>Commercial lease documentation</b>	The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.



Document	Requirements
	<p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the residential and commercial lease portions of the Property's income.</p> <p>The Seller must provide a completed Commercial Lease Analysis and Estoppel – SBL for each lease. If the income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac, Seller must have the tenant execute the estoppel portion of the Commercial Lease Analysis and Estoppel – SBL.</p> <p>The Commercial Leases Analysis and Estoppel – SBL form is available at <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>.</p> <p>See Section 8SBL.11 for commercial lease SNDAs and subordinations; see Section 8SBL.2(b) for commercial use requirements.</p>
<b>Complete Borrower/Key Borrower Principal Due Diligence Package</b>	<p>A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115, Borrower and Key Borrower Principal Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals and a credit report for Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and Liquidity verification documentation, if applicable. It is submitted as part of the underwriting package to Freddie Mac.</p>
<b>Condominium Analysis</b>	<p>If the Property is subject to a condominium regime, the Seller must confirm in the Mortgage Transaction Narrative Analysis that the Borrower owns 100 percent of the real property that is subject to the Condominium regime.</p>
<b>Confirmation of compliance or a request for approval of shared facilities or access</b>	<p>If any on-site or off-site facilities or access are shared and if Freddie Mac requests a PLIM, the Seller must submit in a PLIM a confirmation that any such sharing arrangement meets the requirements of Section 8SBL.6.</p>
<b>Credit reports</b>	<p>The Seller must provide to Freddie Mac a current credit report on each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security</p>



Document	Requirements
	<p>number. The subject of each report must have authorized the Seller to obtain the report and the report must</p> <ol style="list-style-type: none"><li>1. Be reviewed by the Seller</li><li>2. Be issued by an independent credit reporting agency acceptable to Freddie Mac</li><li>3. Be dated within 60 days before delivery to Freddie Mac</li><li>4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings</li><li>5. List any other debts</li><li>6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records</li><li>7. Include FICO scores for Borrowers and Guarantors</li></ol>
Current property financial statements	See “property financial statements.”
Delegated property inspection letter	See “property inspection documentation.”
Document analysis by Single Counsel	The Seller must provide an analysis by Single Counsel of certain legal documents affecting the Property, as described in Section 6SBL.10.
Equity Conflict of Interest statement	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"><li>• With the full underwriting package, or</li><li>• For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i></li></ul>
Evidence of Insurance	The Seller must submit the following to Freddie Mac to verify that the Property has, or will have as of the Freddie Mac Funding Date, adequate property damage and liability insurance as required by the Purchase and Servicing Documents:



Document	Requirements
	<ul style="list-style-type: none"><li>Fully completed Form 1133, Seller/Service Certification of Insurance Coverage, via the Insurance Compliance Tool (ICT)</li><li>The documents listed in Sections 31.20(a) and 31.20(b), as applicable</li></ul> <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p>
<b>Evidence of Tax Abatement</b>	<p>For Properties benefiting from real estate tax abatements, the Seller must provide a completed Tax Abatement/Exemption Analysis – SBL and documentation from the taxing authority or the governing body confirming:</p> <ul style="list-style-type: none"><li>That the Property or the Borrower, as applicable, has qualified for the Tax Abatement</li><li>The amount of annual tax to be paid, if any</li><li>The term of the Tax Abatement</li><li>Any other requirements of the Tax Abatement</li></ul> <p>See Section I of the Tax Abatement/Exemption Analysis - SBL for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The Tax Abatement/Exemption Analysis - SBL is found on the legal document pages of <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>.</p>
<b>Financial statements of Borrower and Key Borrower Principals – certified</b>	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p> <ul style="list-style-type: none"><li>Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key</li></ul>





Document	Requirements
	<p>Borrower Principal</p> <ul style="list-style-type: none"><li>Federal income tax returns for the Borrower for the most recent taxable year, if requested</li></ul> <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p> <p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"><li>All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities</li><li>All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation</li><li>Any factors that may materially affect the Borrower or Key Borrower Principal's financial position immediately or during the term of the Mortgage</li></ul> <p>The Seller must review the Borrower financial statements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p><u>Non-profit Borrower or Key Borrower Principal</u></p> <p>If the Borrower or Key Borrower Principal is a non-profit, the Seller must identify whether the non-profit Borrower's or Key Borrower Principal's primary funding sources are from fees on development projects or from competitive sources such as public funding, grants, gifts, or donations that may be subject to budget constraints.</p>



Document	Requirements
Financial statements – property	See “property financial statements.”
Flood zone determination (FZD)	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
Ground lease documentation	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all the following, with a copy of each to the applicable Single Counsel (see Chapter 30).</p> <ul style="list-style-type: none"><li>• A copy of the ground lease and all existing amendments</li><li>• A summary by Single Counsel of any items from the Ground Lease Analysis form (available at <a href="http://mf.freddie.mac.com/lenders/legal">mf.freddie.mac.com/lenders/legal</a>) that are not satisfied and the risks associated with each non-compliant item</li><li>• Written confirmation that the fee owner is willing to execute the Security Instrument to encumber its interest</li><li>• Any other items required by Chapter 30</li></ul>
Historical property financial statements	See “property financial statements.”
Land Use Restriction Agreement (LURA)/ regulatory agreement	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property, along with a Regulatory Agreement Questionnaire – SBL (available at <a href="http://mf.freddie.mac.com/lenders/legal">mf.freddie.mac.com/lenders/legal</a>).</p> <p>See also “rent, income and use restriction documentation.”</p>
Liquidity verification documentation	<p>Each Key Borrower Principal with Ultimate Control and each Guarantor who (i) is a First-Time Sponsor, (ii) does not meet the requirements of Section 9SBL.2(c)(2), or (iii) is a Rapid Growth Sponsor, must provide bank or brokerage statements either (i) reflecting an average balance for the preceding 12-month period or (ii) from each of the preceding three consecutive months.</p> <p>The bank or brokerage statement(s) must be dated within 60 days of delivery of the full underwriting package (when providing statements for each of the preceding three consecutive months, the most recent statement must be dated within 60 days of delivery of the full underwriting package and the average of the three months will be used).</p>



Document	Requirements
	<p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>For the Key Borrower Principals noted above, the Liquidity reported in the bank or brokerage statements will be the basis of any Liquidity determination, including as it relates to certain Liquidity thresholds required by the Guide.</p> <p>Additionally, the bank or brokerage statements provided must support the Liquidity represented in the Key Borrower Principal's certified financial statement. Material deviations require an explanation, acceptable to Freddie Mac, which must be included in the Mortgage Transaction Narrative Analysis.</p> <p>Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor, Limited Multifamily Experience Sponsor, or Rapid Growth Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using Form 1112.</p> <p>U.S. Public Companies and Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors are not required to submit Liquidity verification documentation.</p>
<b>Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</b>	<p>The Seller must provide a copy of:</p> <ul style="list-style-type: none"><li>• The allocation letter</li><li>• The Low-Income Housing Credit Allocation and Certification, IRS Form 8609, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service</li><li>• The Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, IRS Form 8823, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code (IRC) §42 from both the property manager and the Borrower Principal.</li></ul> <p>In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties.</p>



Document	Requirements
	See also “rent, income and use restriction documentation.”
Management plan or management agreement	<ul style="list-style-type: none"><li>• The Seller must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage.</li><li>• If the Property is managed by the Borrower or the Key Borrower Principal, the Seller must review the Borrower’s management plan.</li><li>• If a management firm is managing the Property, the Seller must review a copy of the management agreement for the Property.</li><li>• The management agreement must be terminable by the property owner upon not more than 30 days’ notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee.</li></ul>
Mortgage transaction narrative analysis	<p>The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller’s option) may be based on the Mortgage Transaction Narrative Analysis – Best Practices.</p> <p>The mortgage transaction narrative analysis must contain the following:</p> <ol style="list-style-type: none"><li>1. Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage</li><li>2. Property’s physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages)</li><li>3. Property’s financial analysis (profile and trend)</li><li>4. Evaluation of balloon risk that includes the Borrower’s ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity</li><li>5. Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment</li></ol>



Document	Requirements
	<div>6. Market analysis (occupancy, supply and concessions)</div> <div>7. History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds</div> <div>8. Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including an estimate of the financial capacity of each (that is, estimated net worth, Liquidity and contingent liabilities)</div> <div>9. An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor, a Limited Multifamily Experience Sponsor, or a Rapid Growth Sponsor</div> <div>10. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee</div> <div>11. Review of third-party reports, including the Seller/Service's reviews of and comments on the Appraisal, environmental and property condition reports (with full underwriting packages only)</div> <div>12. Loan history if there is an existing mortgage on the Property</div> <div>13. Proposed sources and uses of funds</div> <div>14. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or military population)</div> <div>15. Cash equity at risk</div> <div>16. Refinance Analysis on SBL Mortgages that are refinances exceeding the existing unpaid principal balance</div> <div>17. Any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7</div> <div>18. Any exception requests</div>



Document	Requirements
	<p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8SBL.15(a), as applicable.</p> <p><b><u>In addition to items 1 – 16 above, for a Mortgage securing a Property subject to a condominium regime:</u></b></p> <p>See “Condominium Analysis.”</p>
<b>Organizational Charts – Borrower, Guarantor (not in Borrower’s organizational structure), or Pre-Approved Transferee</b>	<p>For any entity that is a Borrower, or a Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity:</p> <ul style="list-style-type: none"><li>• With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust</li><li>• That is a Non-U.S. Equity Holder</li><li>• For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer</li><li>• That directly or indirectly Controls Borrower, Guarantor not in Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust</li></ul> <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>Single Counsel must review the Organizational Chart.</p> <p>See Guidance – Organizational Charts at <a href="https://mf.freddiemac.com/lenders/uw">mf.freddiemac.com/lenders/uw</a>.</p>



Document	Requirements
Payroll schedule	<p>The Seller must provide a current schedule of payroll expenses associated with the operation of the on-site leadership team at the Property, including salary, wages, bonuses, net pay and deductions.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Physical Risk Report	<p>See SBL Physical Risk Report, Form 1104.</p>
Preliminary legal issues memorandum (PLIM)	<p>The Seller must submit to Freddie Mac a preliminary legal issues memorandum meeting the requirements of Section 6SBL.7, if required for a specified issue.</p>
Property financial statements	<p>The Seller must provide to Freddie Mac financial statements for the Property as specified below:</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"><li>Historical property financial statements</li></ul> <p>The Seller/Servicer must submit a certified operating statement that includes the prior three full years. However, if a Year 3 statement is not available, the Seller/Servicer must submit:</p> <ul style="list-style-type: none"><li>Year 1 back statement, and</li><li>Year 2 back statement, if available</li><li>Current property financial statements (T-12 format or YTD)</li></ul> <p>Freddie Mac strongly prefers the Seller/Servicer to submit a T-12 operating statement. However, if a T-12 operating statement is not available, the Seller/Servicer must submit a YTD statement.</p> <p>In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping</p>



Document	Requirements
	<p>months between T-12 and the prior year property financial statement.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"><li>○ <b>Monthly Collections</b>  Six months trailing monthly property collections are required if the loan request is a refinance. Three months trailing monthly property collections are required if the loan request is an acquisition.  As applicable, the aforementioned collections will either be covered by Form 1144, Verification of Collections, or via the Form 1112.</li><li>○ <b>Borrower’s budgeted property financial statements</b>  The Borrower’s budget for the following 12-month period.  The document(s) must be certified using Form 1112.  The Seller must review the property financial statements, which must include income and expense statements.  If the financial statements are audited, they must include a statement of changes in financial position and all notes.  For a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, the Seller must also provide the Servicing Statements used to reconcile the historical property financial statements as required in Section 11.7(b) if such Servicing Statements are not already present in DMS.</li></ul>
<b>Property inspection and Lease Audit documentation</b>	<p>At full underwriting, the Seller must complete and document the property inspection described in 8SBL.15.</p> <p>The inspection requirements must be completed within 90 days of Freddie Mac’s receipt of the applicable underwriting package.</p>





Document	Requirements
	<p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form.</p> <p>If the Seller inspection is not on the same day as the inspection for either the Appraisal and/or the Physical Risk Report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p> <p>See Section 8SBL.15 for additional information regarding property inspection requirements.</p>
Purchase agreement documentation	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"><li>• A copy of the purchase agreement and all amendments</li><li>• An analysis of the purchase agreement and all amendments by Single Counsel using the Purchase Agreement Analysis form</li></ul> <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>
Real Estate Schedule, Form 1116	<p>The Seller must provide to Freddie Mac a Form 1116, Real Estate Schedule, for all real estate in which any Key Borrower Principal that is not newly formed currently has a current ownership interest as a Borrower or Key Borrower Principal .</p> <p>If alternative documentation to Form 1116 is submitted, this documentation must be materially similar, include all key data points necessary to properly assess risk, and be acceptable to Freddie Mac.</p> <p>An Excel version of the Real Estate Schedule is preferred and must be submitted for (i) First-Time Sponsors, (ii) Sponsors not meeting the requirements of Section 9SBL.2(c)(2), or (iii) Rapid Growth Sponsors.</p> <p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p>



Document	Requirements
	<ul style="list-style-type: none"><li>Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following:<ul style="list-style-type: none"><li>The full recourse obligation to the lender, including the entire amount of joint and several guarantees</li><li>For loans on properties under construction, the loan amount drawn to date and the as-is value</li></ul></li><li>Provide a written explanation of any non-performing assets in its portfolio</li></ul> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Real estate tax bill	If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property's local taxing authority.
Registration of rental units (rent regulation/rent control/stabilization)	The Seller must provide to Freddie Mac proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property. Freddie Mac may require similar proof of compliance with such requirements for prior years and may require other evidence of compliance with State or local rent control or stabilization laws in other States.
Rent, income and use restriction documentation	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p> <p>If applicable, see also:</p> <ul style="list-style-type: none"><li>Land Use Restriction Agreement (LURA)/Regulatory Agreement (for LIHTC)</li><li>Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</li><li>Registration of rental units (rent control/stabilization)</li></ul>



Document	Requirements
Refinance Analysis	<p>If applicable, the following documentation may be required for SBL Mortgages that are refinances exceeding the existing unpaid principal balance:</p> <ul style="list-style-type: none"><li>• Refinance Analysis</li><li>• Three months of bank statements showing rental deposits</li><li>• Rent roll verifying net residential income (NRI) growth</li><li>• Evidence of capital expenditures completed or construction, including:<ul style="list-style-type: none"><li>○ Photos</li><li>○ Schedule of completion</li><li>○ Paid receipts/contracts</li><li>○ Building permits</li><li>○ Post-completion inspection reports</li><li>○ Additional evidence required by Lender</li></ul></li></ul>
Rent roll	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at <a href="https://mf.freddiemac.com/docs/rent_roll_template.xls">https://mf.freddiemac.com/docs/rent_roll_template.xls</a>.</p> <ul style="list-style-type: none"><li>• Is dated within 30 days of the underwriting package submission</li><li>• Is complete with respect to the required information below for each unit:<ol style="list-style-type: none"><li>1. "As of" date of the rent roll clearly indicated within the document</li><li>2. Tenant's name(s)</li><li>3. Unit number or identification</li><li>4. Unit type (number of bedrooms and bathrooms)</li><li>5. Square footage of each unit</li><li>6. Occupancy status by unit</li><li>7. Identification of any employee units, model units, corporate units and units used as rental offices</li><li>8. Monthly contract rent</li><li>9. Concessions, rebates or discounts given to tenant, if applicable</li><li>10. Arrearages owed by tenant, if any</li></ol></li></ul>



Document	Requirements
	<div>11. Subsidies, if applicable (specify type)</div> <div>12. Rent controlled or rent stabilized, if applicable</div> <div>13. Original occupancy date, per tenant</div> <div>14. Lease commencement date</div> <div>15. Lease expiration date and renewal options, if any</div> <div>16. Month-to-month status, per tenant</div> <div>17. Amount of security deposit held</div> <div>18. Furnished or unfurnished status</div> <div>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</div>
Residential lease sample	Freddie Mac requires the property inspector to upload, to DMS as part of the required Property inspection documentation, a sample or unexecuted residential lease or an executed residential lease.
SBL Physical Risk Report – Form 1104	Seller must provide to Freddie Mac a completed Form 1104, SBL Physical Risk Report, meeting the requirements of Chapter 62SBL.
Seismic risk documentation	If a Property is in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64SBL.2(b), as applicable. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary.
Seller's mortgage loan application with Borrower	<div>Seller must provide to Freddie Mac a copy of the mortgage loan application executed by the Borrower and submitted to the Seller. The application must evidence all material terms of the proposed mortgage financing.</div> <div>The mortgage loan application must include the following authorization by the Borrower:</div> <div>"The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the "Mortgage") to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property,</div>

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Document	Requirements
	<p>photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p> <p>The mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"><li>• “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial statements from the Borrower outlining the Property’s financial performance.”</li><li>• “The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac’s portfolio.”</li></ul>
<b>Seller’s pro forma property financial statements</b>	<p>The Seller must prepare the Seller’s pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>
<b>Sources and uses</b>	<p>The Seller must provide details about a transaction’s cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>For SBL Mortgages that are refinances exceeding the existing unpaid principal balance, the sources and uses must include the existing debt and prepayment premiums or penalties associated with the existing loan payoff. Verification to support this request is required and can be in the form of a mortgage payoff or mortgage statement.</p> <p>For SBL Mortgages that are acquisitions, the verified Liquidity for Key Borrower Principals in the case of a (i) First-Time Sponsor, (ii) Sponsors not meeting the requirements of Section 9SBL.2(c)(2), or (iii) Rapid Growth Sponsor will be assessed against the funds needed to close (purchase price plus closing costs). In the event the Liquidity is determined to be insufficient, Freddie Mac may consider the Liquidity reported in the certified financial statements for other Key Borrower Principals in the assessment against the funds needed to close. Seller may be</p>



Document	Requirements
	required to provide a detailed explanation of the source of funds necessary to close (including party names and respective equity contribution), certified by the Borrower, along with any supporting documentation as required by Freddie Mac. U.S. Public Companies and Governmental Entities are <a href="#">exempt from this additional verification analysis</a> .
Student Housing Questionnaire, Form 1120	The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire, for each Property where the concentration of graduate and undergraduate Students is greater than 25 percent.
Verification of Collections, Form 1144	The Seller must provide to Freddie Mac Form 1144, Verification of Collections, completed and certified by the Borrower or Key Borrower Principal. The last full month of verified collections must be dated within 30 days of package submission, unless otherwise specified by Freddie Mac. In lieu of a Form 1144, the Borrower may provide certified operating statements for the most recent three months.
Zoning documentation	See Section 8SBL.5 for complete requirements.

<b>Summary report:</b>	
<b>Litera Compare for Word 11.0.0.61 Document comparison done on 4/17/2025 3:54:11 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 55SBL - SBL Documentation and Deliveries GB-02-27-25.docx	
<b>Modified filename:</b> 55SBL - SBL Documentation and Deliveries GB-04-22-25.docx	
<b>Changes:</b>	
<u>Add</u>	5
<del>Delete</del>	4
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	1
<del>Table Delete</del>	0
<u>Table moves to</u>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	10

# Multifamily Seller/Service Guide

## Chapter 60

### Appraiser and Appraisal Requirements



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## 60.1 General requirements; Additional Requirements (04/18/24)

For all multifamily purchase programs and products, the Seller/Servicer must submit a written Appraisal on the Property with the full underwriting package submission or in connection with certain Special Servicing requests.

### a. Appraisal requirements (04/18/24)

Freddie Mac requires that the Appraisal be in a narrative format. The Appraisal must be ordered by the Seller/Servicer and it must be completed by and signed by an appraiser approved by the Seller/Servicer. Freddie Mac will not accept Appraisals ordered by and/or prepared for anyone other than the Seller/Servicer.

To support Freddie Mac's evaluation of the Mortgage loan, Freddie Mac requires that the Appraisal contain transparent data analysis in a concise but comprehensive report format. It is important that Freddie Mac receive only quality Appraisals and analyses, supported by the Seller/Servicer's selection of well-qualified appraisers and the Seller/Servicer's critical review of the appraiser's Appraisals.

Note, effective for Mortgage loans taken under Seller Application on or after February 20, 2023, Seller/Servicers must also comply with the policies set forth in the *Additional Appraisal Requirements Memorandum* available at [mf.freddiemac.com](http://mf.freddiemac.com). To the extent there is any conflict between the Additional Appraisal Requirements Memorandum and the requirements of this chapter, the provisions of the Additional Appraisal Requirements Memorandum govern.

### b. Purpose of Appraisal (04/18/24)

Appraisals must estimate the as-is leased fee market value of the Property ("leased fee" as defined in the current edition of *The Appraisal of Real Estate*, published by the Appraisal Institute) as of the effective date of the Appraisal, subject to stated assumptions and limiting conditions. The as-is leasehold value of the Property (defined in *The Appraisal of Real Estate*) must be estimated if the ownership of the Property is subject to a ground lease. Although other valuation scenarios may be appropriate for a particular Appraisal, at minimum, all Appraisals must provide an as-is estimate of market value.

In addition, for transactions involving affordable housing Mortgages and Targeted Affordable Housing (TAH) Mortgages, Freddie Mac requires the additional values outlined in Section 60.24, items 5-8.

## 60.2 Appraiser Independence Requirements (02/27/25)

The Freddie Mac Appraiser Independence Requirements provided in this chapter herein set forth standards to safeguard the independence, objectivity and impartiality of appraisers and other Independent Parties (as defined below) throughout the valuation process. The valuation process must not be directed or influenced in any way by Conflicted Appraisal Parties (as defined below). Compliance with these Appraiser Independence Requirements is the responsibility of the Seller/Servicer.



For purposes of these Appraiser Independence Requirements, the term “Independent Party” refers to the appraisal company, any entity or person related to the appraiser, appraisal company, or any other party that is part of the appraisal process.

For the purposes of these Appraiser Independence Requirements, the term “Conflicted Appraisal Parties” refers to:

- All members of the Seller/Servicer’s Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
- Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including but not limited to, mortgage brokers, loan production staff and real estate agents.

Seller/Servicer personnel involved in the underwriting, credit risk management or closing of the Mortgage who are not under the supervision of production or loan origination staff are not considered Conflicted Appraisal Parties.

For purposes of this chapter, any reference to Independent Parties or Conflicted Appraisal Parties will be deemed to include any Freddie Mac employee or contractor.

**a. General requirements (04/18/24)**

No person is allowed to influence or attempt to influence the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:

1. Withholding or threatening to withhold timely full or partial payment to an Independent Party;
2. Withholding or threatening to withhold future business from or demoting or terminating or threatening to demote or terminate an Independent Party;
3. Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;
4. Conditioning the ordering of an Appraisal or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;
5. Requesting from or providing to an Independent Party any of the following:
  - Comparable sales prior to engaging the Independent Party to perform an Appraisal;
  - An anticipated, estimated, encouraged, or desired value or value range for the Property, with the exception that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an Appraisal;
  - An anticipated, estimated, encouraged, or desired targeted loan ratio (*i.e.*, debt coverage ratio, loan to value, etc.), expense conclusions or income conclusions;



6. Providing stock or other financial or non-financial benefits to an Independent Party or any entity or person related to the Independent Party;
7. Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform Appraisals for specific loan production staff, loan officer or mortgage broker, except as otherwise provided in subsection b.5 below;
8. Directing an Independent Party to perform an Appraisal using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or
9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, impartiality or compliance with any law or regulation, including, but not limited to, the Truth-in-Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

**b. Independent Party engagement (02/27/25)**

Sections 60.2(b)1, 2, 3 and 5 below may be implemented immediately but are only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. The Seller/Servicer must separate its sales and Mortgage origination functions from its appraisal functions. An agent or employee of the Seller/Servicer involved in the Seller/Servicer's sales or Mortgage origination function must not be involved in the operations of the Seller/Servicer's appraisal functions.

If absolute lines of independence between the Seller/Servicer's appraisal functions and its Mortgage origination process cannot be achieved due to staffing limitations, the Seller/Servicer must clearly demonstrate within its written policies that it has prudent safeguards in place to isolate its appraisal functions from influence or interference by its Mortgage origination process.

2. Conflicted Appraisal Parties are prohibited from:
  - Ordering, managing, or defining the scope of work for an Appraisal;
  - Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular Appraisal or for inclusion on a list or panel of appraisers approved or forbidden to perform Appraisals for the Seller/Servicer; or
  - Having any substantive communications with an appraiser relating to or having an impact on valuation

Notwithstanding the foregoing, any party, including any Conflicted Appraisal Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.



3. Any person involved in substantive Appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must:
  - Be appropriately trained and qualified, and
  - Complete all Freddie Mac required Appraisal training
4. Seller/Servicer leadership responsible for managing Appraisal ordering and review functions must complete all Freddie Mac required Appraisal training.
5. For training requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* available at [mf.freddiemac.com](http://mf.freddiemac.com), as referenced in Section 60.1(a).
6. The Seller/Servicer or any third-party specifically authorized by the Seller/Servicer (including, but not limited to, appraisal companies and correspondent lenders) will be responsible for selecting, retaining and providing for payment of all compensation to the appraiser. The Seller/Servicer must not accept any Appraisal completed by an appraiser selected, retained, or compensated in any manner by the Borrower or any other third party (including mortgage brokers, loan production staff and real estate agents) unless specifically permitted by the Freddie Mac loan documents. For the sake of clarity, the foregoing does not prohibit the Borrower from reimbursing the Seller/Servicer for the cost of the Appraisal, or for paying for the cost of the Appraisal at closing if such payment is shown on the settlement statement.
7. The Seller/Servicer may maintain lists of approved Independent Parties only if:
  - The Seller/Servicer has in place a written policy that requires such lists for bona fide administrative or quality control purposes; and
  - Any employee or vendor of the Seller/Servicer involved in the selection of Independent Parties for such lists must be wholly independent of the Seller/Servicer's Mortgage origination staff and process and of the appraiser and the Independent Parties.

**c. Reporting Appraisal misconduct (06/13/24)**

Section 60.2(c)2 below may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. If the Seller/Servicer has a reasonable basis to believe an Independent Party is violating State licensing requirements, applicable laws or is otherwise engaging in unethical conduct, the Seller/Servicer must promptly refer the matter to Freddie Mac and the applicable State appraiser certifying and licensing agency or other regulatory body.
2. The Seller/Servicers engagement for Appraisals with Independent Parties must provide a notice that if the Independent Party has a reasonable basis to believe a Conflicted Appraisal Party or Seller/Servicer is violating Appraiser Independence Requirements, the Independent Party must promptly refer the matter to either the Freddie Mac *Investigation Unit* or the *Multifamily Appraisals* team.



**d. Compliance; Policies (06/13/24)**

This Section 60.2(d) may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

The Seller/Servicer must adopt written policies, procedures and disciplinary rules and implement adequate training programs to ensure compliance with these Appraiser Independence Requirements. Additionally, the Seller/Servicer must ensure that any third parties involved in the appraisal functions including, but not limited to, appraisal management companies or correspondent lenders, involved in the origination of a mortgage or the sale and delivery of a Mortgage to Freddie Mac are also in compliance with these Appraiser Independence Requirements.

**60.3 Market value definition (09/28/18)**

Appraisers must use the definition of market value set forth below, which conforms to the definition of market value adopted in the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraisal must be completed in accordance with the definition below, as defined within the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") of 1989:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

**60.4 Appraisers (09/28/18)**

Freddie Mac does not select or approve specific appraisers for Freddie Mac's Multifamily programs or products. The Seller/Servicer selects and approves appraisers and is responsible for maintaining an active file on each appraiser's qualifications. The file must be updated annually and is subject to inspection by Freddie Mac.

The appraiser may not be involved or affiliated with any individual or institution involved in the Mortgage submission other than the Seller/Servicer. Appraisers who are staff appraisers of the Seller/Servicer must be independent of the lending, investment and collection functions of the Seller/Servicer.





In those instances where the appraiser and/or the appraisal firm is affiliated with or related to the Seller/Servicer, Appraisals performed for Freddie Mac's Multifamily programs and products must include statements of disclosure from both the Seller/Servicer and from the appraiser that:

- Are signed and dated on the same date as the Appraisal,
- Describe the nature of the relationship between the appraiser and the Seller/Servicer (or other entity),
- State that there is no conflict of interest between these firms, and
- State that there are no fees, payments or compensation between the firms other than that disclosed in the engagement letter between the appraiser and the Seller/Servicer (or other entity), or, if there is compensation in addition to the appraisal fee, provide a description of those fees, payments or compensation

The disclosure from the Seller/Servicer must be included with the Appraisal as an attachment in the Addenda or following the report's Letter of Transmittal. The disclosure from the appraiser must also be included

- As a statement in the Letter of Transmittal of the Appraisal, and
- In the appraiser's Certification, as required by the Uniform Standards of Professional Appraisal Practice (USPAP).

**a. Appraiser qualifications (09/28/18)**

For Appraisals submitted for Small Balance Loan (SBL) program Properties, at least one of the appraisers signing the Appraisal must meet all of the requirements outlined in 1-10 below. For all other Properties, each appraiser signing the Appraisal must meet the requirements outlined in 1-10 below.

1. Be a certified general appraiser under the appraiser certification requirements of the State in which the Property is located (or a certified appraiser if that State does not confer the designation of certified general appraiser)
2. Appear on the State roster in good standing under the requirements of Title XI of FIRREA

For all programs and products, if the Appraisal Subcommittee of the Federal Financial Institutions Examination Council has disapproved the licensing and certification requirements of the State in which the Property is located, pursuant to Title XI of FIRREA, the Seller/Servicer must contact the *Applicable Freddie Mac Multifamily Regional Office* for instructions. The TAH Seller/Servicer must contact the *Multifamily TAH Underwriter*.

3. Be actively and regularly engaged in the appraisal of multifamily properties
4. Have at least three consecutive years of income property appraisal experience





5. Have completed at least two multifamily Appraisals in the past year in the geographic market area where the Property is located
6. Be knowledgeable concerning current real estate market conditions and financing trends in the geographic market area where the Property is located
7. Be experienced in appraising multifamily properties with complexity and characteristics similar to those of the Property (such as the number of units and type of property—garden, mid-rise, high-rise, etc.)
8. Have a working knowledge of construction costs, materials, methods and standards in the geographic market area where the Property is located
9. Have a strong educational background in appraising income properties

Appraisers must have completed successfully several courses relating to income properties. These courses must have been completed through a nationally recognized appraisal organization or accredited college or university.

10. Have insurance meeting the requirements of Section 11.5.

**b. Conditions for an appraisal trainee to co-sign (06/30/15)**

An appraisal trainee may co-sign an Appraisal if the appraisal trainee is currently registered as an appraisal trainee in the State in which the Property is located and the Appraisal clearly and prominently:

- States that the appraisal trainee is an appraisal trainee or equivalent job title,
- Identifies the appraisal trainee's trainee license or certification identification number in the Appraisal, preferably in the Letter of Transmittal and in the Certification, and
- States, in the Letter of Transmittal, the appraisal trainee's specific role in the appraisal project and describes in which parts of the appraisal process the trainee had a contribution and the extent of that contribution. The statement must specifically address whether or not the trainee inspected the Property.

All appraisers that sign the Certification in the Appraisal must take professional responsibility for the appraisal trainee's content, conclusions, and discussions within the Appraisal.

**c. Unacceptable appraisers (07/01/14)**

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Servicer, for cause, discontinues the use of any appraiser who has completed Appraisals within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. A TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept Appraisals completed by any specific appraiser. Freddie Mac will maintain, at [mf.freddiemac.com](http://mf.freddiemac.com), the Multifamily



Restricted Vendor List. If an appraiser appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that appraiser for Multifamily Mortgages offered to Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable appraisers do not prepare Appraisals for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

**d. Representations to third parties by appraisers and appraisal services (09/08/04)**

Appraisers and appraisal services may not represent themselves to third parties as being Freddie Mac-approved appraisers or appraisal services.

**60.5 Appraiser scope of work, certification and signatures (02/27/25)**

**a. Certification (06/16/22)**

The appraiser must attach all of the following to the Appraisal:

- All assumptions and limiting conditions
- A certification that states that the report complies with the requirements of the USPAP, promulgated by the Appraisal Standards Board of the Appraisal Foundation, that are in effect at the time of certification, including USPAP's requirements that the Appraisal was conducted in compliance with all relevant laws, including the Fair Housing Act and Equal Credit Opportunity Act
- A certification that states that the Appraisal complies with the current version of the FIRREA of 1989, including its Title XI regulations

**b. Scope of work and signing the Appraisal (02/27/25)**

There are requirements in this Section 60.5(b), announced in the February 27, 2025 Bulletin, that are effective for Mortgage loans under Seller Application on or after **June 2, 2025** and for conversion packages delivered on or after **June 2, 2025** that require an updated Appraisal.

For all Properties, (i) all persons signing the Appraisal and/or the Appraisal's Certification must have reviewed and approved the Appraisal, and (ii) at least one of the persons signing the Appraisal must meet all of the following requirements:

- Comply with the requirements in this chapter including, with the exception of appraisal trainees, being a Certified General Appraiser in the State in which the Property is located (or that State's equivalent licensing classification that also meets Freddie Mac's minimum appraiser experience requirements)
- Inspect the Property in accordance with the requirements set forth in Section 60.12(b) (other than the appraisal trainee co-signer requirement)



- Complete the final selection and adjustments of land, rent, expense and sales comparables
- Complete the final development of the appraiser's proforma and capitalization rate selection in the Income Approach
- Complete the final reconciliation and value conclusion
- Accept full responsibility for the contents, analyses and conclusions of the Appraisal

Each person signing the appraisal report and/or the Appraisal's Certification will be deemed to have accepted full responsibility for the contents, analyses and conclusions of the Appraisal.

Refer to Section 60.4(b) for requirements regarding the co-signing of an Appraisal by an appraisal trainee.

## 60.6 Information provided to appraiser by the Seller/Servicer (~~09/30/2004~~22/25)

To reduce the need for administrative revisions to the Appraisal following submission of the Appraisal to Freddie Mac for non-valuation related property identification or classification issues, the Seller/Servicer must provide the appraiser with accurate Property identification prior to submission of the Appraisal to Freddie Mac, including:

- Specific requirements for the Mortgage loan program for which the appraisal will be used (*i.e.*, Small Balance Loans, Seniors Housing, Students Housing, Green Up, Mod Rehab, Conventional, etc.)
- For appraisals in the Small Balance Loans (SBL) program, the Seller/Servicer must ensure that the appraiser complies with the page limit described in Section 60.11
- Current property ownership
- Property address
- Property zip code
- Complete legal description (see Section ~~29.329.1~~)
- Accounting of the Property's unit inventory, including management's use of units for offices, model units, down/off-line units and commercial space

The Seller/Servicer must provide the appraiser with the following additional information on the Property:

1. Survey, if available (see Section ~~29.529.4~~)
2. Rent roll dated within 30 days of the appraisal inspection date, certified by the Borrower as accurate and correct, and containing, at a minimum:



- Unit number
  - Unit type, name, or description and/or unit design (i.e., 2BR/1BA, 1BR/1BA/Den, commercial)
  - Unit size in square feet
  - Lease commencement date
  - Contract rent
  - Concessions, if any
  - Additional fees or charges (i.e., pet fees and garage fees)
3. Income and Expense Statements for the previous three calendar or fiscal years, as applicable, certified by the Borrower as complete and accurate
  4. Year-to-date Income and Expense Statement, certified by the Borrower as complete and accurate
  5. Copies of executed commercial leases, amendments and attachments, if applicable
  6. Property condition report as soon as available but prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the property condition report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

7. Environmental report as soon as available but prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the environmental report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

8. Copy of ground leases, if applicable
9. Copy of current sales contracts, if applicable
10. Final architectural plans and specifications, if the Property is to be built
11. Copies of shared access agreements or easements



12. Regulatory agreements such as HAP contracts or other agreements that might affect the Property's rents or expenses
13. For SBL Properties, evidence of capital expenditures or construction costs as described in Section 55SBL.2
14. Any other information that the Seller/Servicer knows may affect the value of the Property

## **60.7 Seller/Servicer supervision of appraisers (02/27/25)**

The Seller/Servicer must evaluate and select appraisers based on qualifications and quality of the appraisal product. The Seller/Servicer must collect information and documentation from appraisers and applicable regulatory authorities to ensure that each appraiser completing Appraisals for multifamily Mortgages offered to Freddie Mac complies with the requirements set forth in this chapter.

Each file must contain sufficient information to document and demonstrate that the appraiser meets the qualification requirements in Section 60.4(a), including:

1. The appraiser's resume
2. Letters of reference from current and/or past clients
3. Documentation showing that the appraiser possesses the certified general classification or certified classification in good standing in accordance with applicable State law
4. Copies of Appraisal sample(s) if appropriate under the ethics provision of USPAP
5. An original certificate(s) of liability insurance meeting the requirements of Section 11.5

Each file must document that the appraiser complies with the requirements of this chapter and that the Seller/Servicer verified the experience information provided by the appraiser to the Seller/Servicer.

Effective as of June 2, 2025, the Seller/Servicer must ensure that any appraisal firm engaged by the Seller/Servicer for a Freddie Mac Mortgage 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.

The Seller/Servicer must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Servicer identifies a problem area, the Seller/Servicer must take appropriate action to correct the problem. The Seller/Servicer must keep written records of any activity under this internal control system and provide them to Freddie Mac upon request.

## **60.8 Non-Discrimination (12/14/23)**

The appraiser must describe the Property and the neighborhood in factual, unbiased and specific terms. The appraiser may not consider any information about the geographic area, neighborhood,



occupants, owners or prospective owners of the Property that involves the following prohibited factors (“Prohibited Factors”):

- Race
- Color
- Religion
- National origin
- Sex, sexual orientation, and gender identity
- Marital status
- Age
- Receipt of income derived from any public assistance program
- Exercise of any federally protected civil right
- Familial status
- Disability

As a matter of corporate policy, Freddie Mac reserves the right to reject any Mortgage supported by an Appraisal that makes reference to Prohibited Factors or incorporates subjective terminology or veiled language that may indicate underlying bias or discrimination.

## 60.9 Effective date of Appraisal (04/18/24)

For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* available at [mf.freddiemac.com](http://mf.freddiemac.com), as referenced in Section 60.1(a).

The effective date of the most current Appraisal must be within six months before the date on which the Mortgage's full underwriting package is delivered to Freddie Mac. The Seller/Service also must submit all other Appraisals completed on the Property in the past three years, if available to the Seller/Service and appropriate under the ethics provision of USPAP. See also Section 60.10.

## 60.10 Revised and updated Appraisals (02/27/2504/22/25)

1. For Mortgage loans taken under Seller Application on or after June 2, 2025 or for conversion packages delivered on or after June 2, 2025 that require an updated Appraisal, an Appraisal Revision Summary ([see Freddie Mac template as an example](#)) detailing the changes between the initial Appraisal delivered to the Seller/Service and the Appraisal delivered in the full underwriting package to Freddie Mac must be provided if there is any of the following:



- More than a ~~2%~~two percent increase in value between the two versions of the Appraisal;
- Change to the income approach (e.g., changes to income, rent comparables, vacancy, expense(s), expense comparables, and/or capitalization rates)
- Change to the sales comparison approach (i.e., adding or removing sales comparables and/or changes to the adjustment grid)

If the Appraisal is revised during the underwriting process to trigger any of the above conditions, the Appraisal Revision Summary must be updated to detail the change(s) between the Appraisal delivered in the full underwriting package and the final Appraisal accepted by Freddie Mac.

2. If Freddie Mac receives an Appraisal with an effective date that is more than six months before the date on which the full underwriting package is delivered to Freddie Mac, the Seller/Servicer must obtain an updated Appraisal from the appraiser. For the updated Appraisal, the appraiser must, at minimum:

- Reinspect the Property,
- Resurvey the rental comparables, and
- Review the market for any additional sales comparables or changes in capitalization rates

The documentation that provides the updated Appraisal must clearly indicate the steps that the appraiser performed for the updated Appraisal and discuss the changes, if any, between the original Appraisal and the updated Appraisal.

A letter or abbreviated report such as the Restricted Report from the appraiser stating general conclusions (for example, that the value of the Property has not decreased since the original Appraisal) is not acceptable.

In addition to these requirements, the report must comply with the requirements and advice provided in USPAP for an update of a prior Appraisal.

## 60.11 Appraisal form (06/27/19)

Freddie Mac expects that the Appraisal will be in a narrative format written to comply with the Appraisal development and report content requirements of the USPAP.

Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program must be 50 pages or less. Addenda to these Appraisals are not included in the 50-page count.

Effective with underwriting packages delivered to Freddie Mac on or after August 1, 2019, appraisals submitted to Freddie Mac for Mortgage loan origination in the Targeted Affordable Housing Express (TAHX) program and with an appraisal effective date of value on or after August 1, 2019 must be 75 pages or less. Addenda to these appraisal reports are not included in the 75-page count.





The page count for SBL and TAHX Appraisals begins with the Title Page of the report and ends with the page prior to the Addenda of the appraisal report.

Addenda material can include:

- Insurable value
- Assumptions and Limiting Conditions
- Appraiser's Certification / Signature
- Subject Photos
- Comparable sales outlines
- Comparable rental outlines
- Rent roll
- Historical financials
- Floor plans
- Site plans / Plat / Survey
- Qualifications of the appraiser and state Certification certificate
- Engagement letter

The Seller/Servicer may contract with the appraiser for an SBL Appraisal that is exempt from the 50-page length limitation or for a TAHX Appraisal that is exempt from the 75-page length limitation under limited circumstances, such as when:

- The Property is located in a tertiary market which requires additional discussion by the appraiser
- The Property has substantial repairs that need to be evaluated and discussed by the appraiser
- There are environmental issues reported by the third-party consultant that need to be evaluated and discussed by the appraiser

If the page-length limit is exceeded, Form 6011, Waiver of the Page Limit for SBL and TAHX Appraisals, executed by Seller/Servicer's Chief Underwriter or Deputy Chief Underwriter, must be submitted with the Appraisal in the underwriting package. The Seller/Servicer must also upload the completed Form to the Third-Party Report section of Freddie Mac's Document Management System (DMS).





Regardless of the report format, the appraiser must comply with all applicable Freddie Mac, federal, and State appraisal development and reporting requirements.

## 60.12 Appraisals (04/18/24)

When the Seller/Servicer delivers an Appraisal to Freddie Mac, the Seller/Servicer is deemed to make the warranties regarding the Appraisal set forth in Section 5.4. The Seller/Servicer must review each Appraisal in detail for its completeness, accuracy, appraising logic and adherence to the requirements of this chapter. The Seller/Servicer must ensure that the Appraisal submitted to Freddie Mac incorporates corrections and/or resolution of any material errors or omissions found during the Seller/Servicer's review of the Appraisal. If required by Freddie Mac, the Seller/Servicer must provide to Freddie Mac a copy of its review of the Appraisal concurrent with the transmittal of the Appraisal to Freddie Mac.

Each Appraisal must:

- Comply with and state its compliance with the USPAP in effect as of the date of the Appraisal
- Comply with and state its compliance with the current version of the FIRREA, including its Title XI regulations
- Disclose any steps taken by the appraiser to comply with the competency provision of the USPAP, if required; and
- Specifically disclose any extraordinary assumptions and/or hypothetical conditions, or explicitly state the lack of any such conditions

The Seller/Servicer must direct the appraiser to include the following language verbatim in the letter of transmittal above the appraiser's signature and/or on the appraiser's Certification page above the appraiser's signature:

"This report is for the use and benefit of, and may be relied upon by,

- a) the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");
- b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c) governmental agencies having regulatory authority over Lender;
- d) designated persons pursuant to an order or legal process of any court or governmental agency;
- e) prospective purchasers of the Mortgage; and
- f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:



- any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

The appraiser must perform the functions stated in this section and in Sections 60.13 through 60.19 to ensure the completeness of each Appraisal.

**a. Completeness (06/16/22)**

The Appraisal must adequately describe the geographic area, neighborhood, rental competition, sales comparables, site and improvements. Generally, regardless of report format, the Appraisal must demonstrate a market value supported by the reconciliation of the three recognized approaches to value: Income Approach, Sales Comparison Approach, and Cost Approach.

For appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, if the Property is more than five years old, the appraiser must include both the Income Approach and Sales Comparison Approach. However, Freddie Mac will not require a Cost Approach or a separate analysis of land value.

For all other Properties, the appraiser must thoroughly explain and support the exclusion of any of the three approaches to value.

If the Property is not operating at stabilized operations, appropriate consideration must be given in each of the approaches to value.

The appraiser must consider, analyze and report all information that appropriately and lawfully influences value even if not specifically requested by the Seller/Servicer or, Freddie Mac.



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

For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum*, as referenced in Section 60.1(a).

At least one appraiser signing the report must have made both an interior and exterior inspection of the Property. The interior inspection must include interior common areas, community amenities, a sample of unit interiors and commercial suites. In addition to exterior inspections of residential units, the exterior inspection must also include any accessible areas that are subject to nonresidential leases as defined in Section 8.11(a) and Section 8SBL.11(a).

Since the Seller/Servicer's delivery of the property condition report and environmental report to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13 for a description of these circumstances), it is important that the appraiser's inspection of the Property be sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the Appraisal's discussion, analyses, and valuation conclusion.

1. For Properties with fewer than 25 units, the appraiser must inspect:

- A minimum of two units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 5 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

2. For Properties with 25 to 50 units, the appraiser must inspect:

- A minimum of three units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish



If this requirement results in more than five residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

3. For Properties with more than 50 units, the appraiser must inspect:

- A minimum of five units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- At least one unit of each unit type and comment on the marketability of each unit type's floor plan, design, layout, amenities, and level of finish
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 15 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

4. The Appraisal must identify the specific units inspected and into which category each unit falls.
5. For SBL Properties, the appraiser must inspect the improvements (if able to be visually inspected) and report if they are generally aligned with evidence of capital expenditures or construction provided by the Seller.
6. The appraiser must report any physical condition concerns with the Property's land or improvements observed during the appraiser's inspection of the Property or known to the appraiser.
7. The appraiser must report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
8. It is not acceptable for the appraiser to merely state that the appraiser did not notice any physical and/or environmental issues during their inspection; the appraiser must discuss the extent of the appraiser's inspection for these issues.
9. Appraisers must report the extent of their due diligence and describe their environmental observations, analysis and conclusions in the Appraisal. It is not acceptable for the appraiser to only state that the appraiser is not qualified to detect environmental issues and thus has made no observations during their physical inspection of the Property.



**c. Tax information (07/01/14)**

The appraiser must consider, analyze and report property tax and assessment requirements of the jurisdiction where the Property is located. The appraiser must verify that the Property has been fully or partially assessed and provide the most recent assessment date and the next scheduled assessment date of the Property. The appraiser must consider, analyze, adequately support and report any effect on value due to future scheduled assessments, property tax abatements or other property tax benefits.

Property tax comparables must be part of the discussion of the Property's appropriate level of tax liability. The appraiser should identify the taxing jurisdiction of each of the property tax comparables and include in the discussion any differences in valuation methodology, tax rates, and/or reassessment schedules between these and the Property's taxing jurisdiction.

The risk of the Property's reassessment must be considered and appropriately analyzed and reported. Any adjustment to the capitalization rate must have adequate support and discussion.

**d. Sales and other concessions (09/28/18)**

- 1) The Seller/Service must provide to the appraiser and the appraiser must consider, analyze and report any
  - Current or expired sales contracts, option contracts, contracts for deed, master lease and/or listings of the Property known to the appraiser, and the contract or listing price.
  - Sales of the Property within the past three years

The appraiser must analyze and discuss any material difference between the final appraised value and any recent sale, contract, option and/or master lease of the Property.

- 2) The appraiser must identify the current owner of the Property as described in the local land records
- 3) If the Property is subject to a current sales contract, the appraiser must identify the potential purchaser
- 4) If available to the appraiser, the appraiser must report:
  - a. How long the Property was on the market
  - b. Number of offers
  - c. The owner rationale for selecting the buyer's offer

**e. Property condition report (10/14/16)**

The appraiser must consider how the results of the property condition report or the appraiser's observations during property inspection affect the value of the Property.



If there are issues identified by the consultant that could materially affect the value of the Property, prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac, the Seller/Service must provide the appraiser with the property condition report ordered by the Seller/Service as part of the Mortgage loan transaction process. For expediency, the report can be delivered to the appraiser in draft form, as long as the appraiser notes in the Appraisal report that it was provided with a draft property condition report. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address a Property condition issue, the appraiser must still consider that issue's effect on market value since the availability of cash to the Property owner for repairs or renovations should not affect the Property's market value.

If provided with a third-party property condition report, the appraiser must:

- Identify the engineering/consulting firm that prepared the property condition report, the effective date of the report, and whether it was a final version or a draft
- Report the conclusions and recommendations of the property condition report
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factor(s) and incorporate them into the value of the Property
- Use the property condition report as the starting point for its estimate of Replacement Reserve deposits unless the appraiser otherwise documents and discusses an alternative reserve figure in the Appraisal

If not provided with a third-party property condition report, the appraiser must do all of the following:

- Apply the observations regarding Property condition or obsolescence from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factors and incorporate them into the value of the Property
- Base its estimate of Replacement Reserves on specific market evidence or other substantive basis

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the effect or non-effect on value of an identified physical condition issue. If there is an issue identified in the property condition report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser needs to discuss why the appraiser has drawn that conclusion.



**f. Zoning and other legal issues (06/25/20)**

1. For all Mortgages, the appraiser must consider, support, and discuss how zoning and other legal issues (including shared access agreements, easements, and compliance with local rent control statutes) affect the value of the Property.

The appraiser must, reference the authoritative zoning source in the Appraisal, comparing the Property to competing properties, and addressing at a minimum:

- Parking ratio compliance
  - Density compliance
  - Rebuildability restrictions in the event of substantial damage or casualty loss to the Property
2. If a Mortgage meets either of the following conditions, a third-party zoning consulting report might not be part of the underwriting package, so it is important that the Freddie Mac underwriter and the appraiser have pertinent information regarding the Property's compliance with local zoning regulations and other legal considerations on the Property and the effect these regulations or issues have on the Property's market value:
    - The Mortgage
      - Is a non-SBL Mortgage with an initial principal balance of \$20 million or less, or is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate, and
      - Is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage.

Furthermore, if the Mortgage meets any of the above conditions, the appraiser must include an opinion as to the legality of the zoning of the Property. The Property is either:

- Legal
- Legally non-conforming
- Illegal
- Other, with explanation

The preferred method is for the appraiser to provide a quote or reference from an appropriate local zoning office official or employee as to the concluded zoning status (i.e., "Ms. Johnson, XYZ County Zoning employee stated in an email on XYZ date that the subject property is legally non-conforming..."). Without such a quote or reference, the appraiser must provide its professional opinion as to the legality of the zoning of the Property, (i.e., "Based on the subject's actual use, its developed density, parking ratio, (and whatever else that might be appropriate), it appears that the subject property is legally non-conforming.")

The appraiser cannot merely state that they are not experts in this field or that the client should consult a legal expert. Freddie Mac is requiring that the appraiser use its





professional expertise to either consult the appropriate local governmental authority or to render a professional opinion on the legality of the zoning of the Property although it is acceptable for the appraiser to provide a disclaimer around its professional opinion.

The following chart, or a similarly constructed chart containing this information, must be completed for and included in each Appraisal for which a zoning report is not submitted:

General Zoning Information			
Property Name			
Property Jurisdiction			
Existing Zoning Classification			
Date of Existing Zoning Ordinance			
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)			
Category	Actual	Required	Conforming Status
Current use			
Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
Additional Zoning Compliance Information (if a survey or other materials are available):			
Minimum Lot Width/Frontage			
Maximum Height			
Setbacks:			
Front/Street			
Side			
Rear			
Landscape buffers			
Appraiser's Conclusion on Conformity:			
Other information pertinent to the Property's zoning classification:			
Reconstruction clause, including rebuildability threshold:			

If the Property is legally non-conforming or illegal, the appraiser must discuss whether the subject can be rebuilt to its current configuration and, if not, analyze the effect on market value in the Sales Comparison Approach, the Cost Approach, and in the Income





Approach. If the Property is not subject to a rebuildability requirement, the appraiser must state so.

### 60.13 Environmental reports (12/14/23)

The appraiser must consider how the results of the environmental report or the appraiser's observations during the property inspection affect the value of the Property.

If there are issues identified by the environmental consultant that could materially affect the value of the Property, then prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac, the Seller/Service must provide the appraiser with the environmental report ordered by the Seller/Service as part of the Mortgage loan transaction process and any other environmental reports on the Property retained by the Seller/Service. For expediency, the environmental report can be delivered to the appraiser in draft form, as long as the appraiser notes in the appraisal report that the appraiser was provided with a draft. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address an environmental issue, the appraiser must still consider that issue's effect on market value. The availability of cash to the Property owner to correct an environmental issue should not affect the Property's market value.

If provided with a third-party environmental report, the appraiser must:

- Identify the environmental consulting firm that prepared the report and the effective date of the report, and whether it was a final version or draft
- Report the conclusions and recommendations of the environmental report
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property
- Report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
- Analyze and discuss how the identified environmental conditions affect the value and marketability of the Property based on market data relating to increased risk and uncertainty, environmental stigma, reduced occupancy and rent levels, limitations on property use, cost of remediation, and any other relevant characteristics or environmental risk factors.

If not provided with a third-party environmental report, the appraiser must do all of the following:



- Apply the observations regarding environmental issues from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the impact or non-impact on value of an identified environmental issue. If there is an issue identified in the environmental report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser must discuss why it has drawn that conclusion.

#### **60.14 Valuation methodology (04/18/24)**

Since the Appraisal must, at minimum, estimate the as-is leased fee market value of the Property, appropriate adjustments are required to any analysis of fee simple data within the Appraisal. Examples include:

- Capitalization rates extracted from comparable sales must be consistently applied to the Property based upon actual or pro forma income. When appropriate, an adjustment must be made to reflect the Property's leased fee ownership interests being appraised.
- The traditional Cost Approach is typically developed as a fee simple value; as such, the methodology must be appropriately adjusted to reflect the Property's leased fee ownership interest.
- An analysis with 100 percent market rents, without consideration of the Property's actual in-place rents, is not a leased fee value estimate [see Section 60.14(c)].

##### **a. Cost approach (07/01/14)**

If developed, the cost approach conclusion must reflect the leased fee ownership interest in the Property (or leasehold interest if the Property is subject to a ground lease), and the appraiser must include proper adjustments for any items adverse to the Property's marketability, such as deferred maintenance, physical deterioration and functional and economic obsolescence. The Appraiser must specifically describe the estimates of accrued depreciation and entrepreneurial profit. The estimated land value must indicate the market value of the land, recognizing its highest and best use.

If the cost approach is omitted in the Appraisal, the appraiser must adequately provide a Property-specific explanation for its omission. Generic statements such as "investors typically do not consider the cost approach when they purchase this type of property" or "there is difficulty estimating depreciation due to current market conditions" are not acceptable and miss the point of the benefits of a cost approach analysis.

If the appraiser uses cost comparables as part of the estimate of replacement cost, it must include sufficient descriptions including, where appropriate, a photograph of the comparable properties to allow the reader of the Appraisal to adequately understand the construction similarities between those comparables and the Property.



**b. Sales comparison approach (04/18/24)**

For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* available at [mf.freddiemac.com](http://mf.freddiemac.com), as referenced in Section 60.1(a).

The appraiser must support the value indicated by the sales comparison approach by analyzing the sales of at least four comparable properties.

The appraiser may use the Property as a comparable sale as long as the appraiser provides four additional comparables to the Property.

The sales comparables must be physically and locationally similar to the Property and must have been sold recently. The appraiser must make proper adjustments, when necessary, to the sales comparables for such items as real property rights conveyed, financing terms, conditions of sale, date of sale, location, physical characteristics and amenities. The appraiser must adequately explain those adjustments.

If there is an absence of recent comparable improved sales, the appraiser must consider that absence in estimating the market value. Current contracts and competitive property listings can be helpful to round out the appraiser's analysis if they are indicative of the state of the current market. The weight given to a contract or listing might be different from the weight given to the actual sales transactions, and the appraiser must discuss these differences in the Appraisal.

For each comparable used, the appraiser must identify the primary data source(s) used to verify comparable sales data, for example, whether the comparable property's financial and transaction information was gathered as part of the site visit or obtained from an earlier written appraisal by the appraiser's firm, a sales brochure, an individual associated with the sale, or a combination of sources. If the appraiser obtained the comparable property's information from an individual, the appraiser must identify the name, company and title of the individual, if available.

The appraiser may use a multiplier, either a potential gross rent multiplier or an effective gross income multiplier if the multiplier is customarily used in the Property's market area. The appraiser must derive the multiplier from recent sales of comparable properties in the market area of the Property. The appraiser must properly analyze the multiplier based on the overall quality and reliability of the gross income the Property has produced or is reasonably expected to produce. If the appraiser develops a valuation from a multiplier analysis, it should be reported in the Income Approach (See Income Approach requirements in Section 60.14(c) for additional information.).

The appraiser must not apply an adjustment to the comparable sales for differential net operating income or develop a net income multiplier for the sales since these methodologies duplicate the techniques or value indicators used in direct capitalization in the Income Approach. The Sales Comparison Approach must focus on similarities and differences that affect value, which may include variations in property rights, financing terms, market conditions, and physical characteristics and the causes of income variation, not just that net operating income of the comparable is different than the Property's (either on a per-unit basis or applying a net income multiplier). The appraiser must discuss and adjust for the causes of the differences in NOI, not just note that a difference exists.



The appraiser must refrain from adjusting the comparable properties' sale prices for expenses, costs, or renovation that are to be incurred by the buyer after the date of the sale transaction since these costs and expenditures are not typically part of the transaction/consideration price for the property.

**c. Income approach (04/18/22)**

For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* available at [mf.freddiemac.com](http://mf.freddiemac.com), as referenced in Section 60.1(a).

The appraiser must derive the value indicated by the income approach by considering the following economic factors:

1. The forecasted gross income must consider historical rents of the Property, current rents of the Property and rents currently obtained from comparable units (similar in amenities, location, size, type, style and quality) adjusted for market concessions, rent abatements, discounts and the like. The influence and limitations of rent control, rental concessions, historical trends and other relevant factors must be reviewed and analyzed relative to the forecasted gross income of the Property.

The appraiser must analyze and discuss the difference, if any, between the Property's actual recent contract rents and the appraiser's estimate of the Property's market rents, and their impact on the leased fee value of the Property. If the appraiser's estimate of market rent is dissimilar to the recent leasing at the Property, the appraiser must provide an adequate discussion and explanation of the variance.

2. The estimated vacancy and collection loss must consider historical data of the Property, current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.
3. The forecasted expenses and Replacement Reserves must be comparable with the historical data of the Property and comparable with known and verified expenses in the market area, measured, at a minimum, on a per-unit basis and as a percentage of effective gross income. The identification of the expense comparables must include, at minimum, the comparable property's number of units, the age of the Property (year built and/or renovated), its physical condition, its location and the time period indicated by the expenses. The forecasted expenses and Replacement Reserves must consider future changes in expense or reserve levels.
4. The Capitalization Rate must be based on factors reflecting the investment characteristics of typically knowledgeable investors for properties similar to the Property.

The appraiser must develop the Capitalization Rate using each of the following techniques, if practicable:

- Extraction from comparable sales with analysis of the comparables' variations, if any, from the Property's economic and physical characteristics. Capitalization rates extracted by pro forma income or with actual income must be reconciled consistently



with the appraiser's estimate of the Property's income.

- Published sources (preferably more than one published data source, and preferably a source that focuses on the Property's local market, not general national data).
- Personal surveys and interviews with market participants, with date of survey and names/titles of the individuals surveyed.
- Band of Investment model (also known as mortgage equity technique) with specific reference to the sources of the financial data assumptions.
- Debt coverage ratio model - with specific reference to the sources of the financial data assumptions.
- For Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, the capitalization rate must be supported with comparable sales and with the appraiser's survey/interviews of local real estate participants for knowledge of the Property's submarket and investment considerations. These surveys and/or interviews should be documented with the date of survey (month/year is sufficient) and if not confidential, the name, title, and company of the individual surveyed or interviewed. If these items are confidential, the appraiser must provide a description of the position or background of the individual in the Appraisal report.

Development of capitalization rates from Ackerson or Ellwood methodologies is not appropriate for Appraisals for Freddie Mac.

5. When a multiplier analysis is developed, the appraiser should adequately analyze and discuss the comparability of the comparable sales' multipliers in terms of expense ratios and expenses per unit. Additionally, comparability of operating expenses should be analyzed and discussed both with and without inclusion of real estate taxes since taxes may vary materially between the Property's taxing jurisdiction and that of the comparable sale. This variability may have a material effect on the observed multiplier and comparability with the Property.

The development of a multiplier analysis for the valuation of the Property does not exempt the appraiser from adequately analyzing and discussing the Property's operating expenses as required by Section 60.14(c)(3).

For Properties with more than 30 units, a multiplier analysis is not recommended; the appraiser should develop a direct capitalization approach.

A net operating income multiplier is not acceptable.

6. A discounted cash flow analysis (DCF) is typically redundant and not required in the development of the income approach for a multifamily property unless the Property is not functioning at stabilized operations and/or occupancy.
  - If developed, the cash flow period for the DCF must reflect the period necessary to achieve stabilized operations, unless local practice dictates otherwise, and may be



developed with monthly, quarterly, or annual cash flows, depending on the time period of unstabilized property operations

- In lieu of, or as a supplement to, a DCF analysis for an unstabilized property, the appraiser can consider the present value of lost revenue, operating expenses, and necessary repairs, renovations, alterations as adjustments to value
  - Key assumptions used to develop the DCF must be adequately discussed and supported in the Appraisal including rent and expense changes, discount rate, reversion capitalization rate, and absorption period
7. In the Income Approach, the value can be developed with either a gross income analysis or direct capitalization analysis; it is not a requirement to include both methodologies in an Appraisal report.

### 60.15 Area information (06/16/22)

The appraiser must report and accurately explain appropriate and lawful positive or negative factors about the Property's neighborhood, including all relevant adverse influences that affect the Property's market value.

The appraiser must

- Consider, analyze and report current and prospective regional economic trends, such as population, employment concentration and diversification, changes in supply and demand, and housing development
- Explain how regional economic trends affect appraised value

In describing the Property's market, the appraiser should emphasize the Property's neighborhood and submarket influences. Regional, State, and metropolitan market descriptions are not necessary for Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program and should be eliminated from these Appraisal reports unless there is a specific market influence on the Property that transcends the immediate neighborhood. In these instances, the appraiser should describe those larger influences with specificity, and inclusion of "boilerplate" market, metropolitan, or regional descriptions in the report is discouraged.

### 60.16 Rental competition (09/28/18)

The appraiser must identify the primary data source for each rental comparable, such as the name and telephone number of the contact person.

The appraiser must use at least four rental comparables. The appraiser must include current rental competition that affects the Property's economic performance, for each rental comparable. The appraiser must identify and describe projects under construction, planned or proposed, that will likely affect the Property's economic performance.





## 60.17 Income and vacancy (09/08/04)

### a. Market feasibility analysis (09/08/04)

The appraiser must include a market feasibility analysis if the Property is new construction or if the Property has recently undergone major rehabilitation. The market feasibility analysis can be included as a section of the Appraisal or it can be a separate report. The market feasibility analysis must

- Consider, analyze and report the Property's current rental competition and future rental competition, including a review of projects under construction, planned or proposed that may affect the Property's economic performance
- Explain the expected stability and longevity of the Property's current rent levels and occupancy
- Support forecasted rent levels and occupancy
- Analyze rental concessions and absorption rates

### b. Vacancy (09/08/04)

If the appraiser forecasts a vacancy percentage that is higher or lower than the current vacancy percentage, the appraiser must adequately explain the reasons for the difference in the current vacancy and forecasted vacancy. One-line explanations, such as "the market is improving," "the property has updated units" or "the competition is becoming stronger," are unacceptable.

### c. Rental factors (09/08/04)

The appraiser must consider, analyze and report rental concessions, rental discounts and rental abatements of the Property and market area and explain how these factors affect the Property's economic performance. If the appraiser does not know of any rental concessions, rental discounts or rental abatements, the appraiser must state this fact in the Appraisal.

The appraiser must consider, analyze and report any rent control or rent stabilization of the Property or market area and explain how these factors affect the Property's economic performance.

### d. Seasonal and cyclical influences (09/08/04)

The appraiser must consider, analyze and report seasonal and cyclical influences that may affect annual rental income and occupancy of the Property.

### e. Income (09/08/04)

The appraiser may include income from sources other than residential units when calculating total gross income if such income is supported by at least three years' historical operations, is common in the market and is expected to continue in the future. Such other sources include commercial space, laundry, parking, cable television, vending and application fees.



## 60.18 Improvements (09/30/20)

The appraiser must report and explain any building, health and fire code violations at the Property that are known to the appraiser and explain how the code violations affect appraised value. If the appraiser does not know of any known violations, the appraiser must state so in the Appraisal.

The appraiser must report and explain any deferred maintenance known to the appraiser at the Property and explain how the deferred maintenance affects appraised value.

If the Appraisal is subject to the completion of repairs or replacements, the appraiser must report the appraised value before required repairs are completed ("as is" value) and report the appraised value after the required repairs are completed ("as completed") value. The appraiser must estimate the cost to complete the needed repairs.

If the Appraisal indicates the presence of any defects or conditions with respect to the Property, such as dampness, infestation or abnormal settlement, the appraiser must describe the effects of these deficiencies on the appraised value and marketability of the Property.

For SBL Properties, the appraiser must review any information provided by the Seller regarding major past renovations or construction and identify any effect on the appraised value and marketability of the Property.

The appraiser must:

- Estimate the cost to complete the required repairs and any accompanying entrepreneurial profit, if applicable, and
- Estimate the prospective date that repairs are to be completed, and
- Analyze and describe any prospective vacancy issues resulting from the repair process, and
- Estimate the prospective date that lease-up due to repairs is estimated to be completed, and
- Adequately describe, analyze, and discuss the effect of the repairs on market value

The appraiser may rely on the data, discussion, and conclusions of the property condition report and the environmental report in analyzing and reporting on the property's improvements.

## 60.19 Commercial space and other nonresidential leases (02/17/22)

For Appraisals of Properties containing commercial space and other nonresidential leases as defined in Section 8.11(a) or Section 8SBL11(a), the appraiser must include a rental analysis containing at least three comparable rentals for each type of tenant.

For each comparable commercial and other nonresidential lease, the appraiser must provide:

1. Name of the tenant





2. Type of business
3. Address or unit number(s)
4. Leased square feet
5. Annual prospective contractual rent for each of the next three years
6. Concessions (if any)
7. Lease commencement date
8. Length of lease
9. Renewal option, if any
10. Any other material lease terms

Property lease abstracts must contain, at a minimum, the following basic data, as applicable:

1. Term
2. Lease commencement date
3. Lease expiration date
4. Exact name of tenant
5. Type of business
6. Base square footage
7. Core or conversion factors
8. Calculation of gross rent
9. Calculation of percentage rent
10. Calculation of expenses
11. Expense stop
12. Reimbursement of expenses
13. Option to purchase clause

For Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, the depth and detail of information required in this section may not be available to the appraiser. In these instances, the appraiser must use its best efforts to comply with the intent



and scope of this section. If the appraiser varies from the requirements of this section, there must be an explanation of the variance in the Appraisal Report.

For all Properties that contain commercial space, the appraiser must segregate rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to commercial rental space from rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to residential rental space. If the appraiser is unable to segregate commercial space and residential rental space, the appraiser must explain why the space cannot be segregated. Separate values for the commercial space and residential space are not required but must be provided if the commercial space can be marketed and sold separately from the residential space.

The appraiser must provide data that support the appraiser's estimate of the property's commercial vacancy rate, a discussion of tenant rollover risk, and cost of tenant improvements to re-lease the space.

## 60.20 Attachments to the Appraisal (09/28/1804/22/25)

The appraiser must attach the following, if applicable, to the Appraisal:

1. A copy of any current sales contracts, option contracts, contracts for deed or listings of the Property
2. A legible, certified current rent roll provided to the appraiser by the Seller/Service, legible Income and Expense Statements for the past three calendar or fiscal years (as applicable), if available, and legible year-to-date Income and Expense Statements for the Property, all dated within 30 days before the Appraisal
3. Color photographs of the Property's exterior, interior common areas, typical unit interiors, surrounding area, rental comparables, sales comparables and commercial rental comparables. The date and source of each photograph (i.e., the appraiser's original photograph, photocopied from the internet, and photo scanned from a marketing brochure) must be clearly identified in the Appraisal.
  - Unless otherwise identified within the Appraisal, the photographs of the sales comparables must be reflective of the property at the time of sale.
  - Unless otherwise identified within the Appraisal, the photographs of the Property must be reflective of the Property as of the effective date of the appraisal value.
4. Maps showing the location of the Property relative to the location of the land comparables, current rental comparables, future rental comparables and sales comparables
5. If the Property contains commercial space, legible copies of all executed commercial leases, riders and amendments
6. A complete legal description of the Property (see Section [29.329.1](#))
7. A survey or recorded plat of the Property, if available (see Section [29.529.4](#))



8. If the Property is subject to ground leases, a copy of all ground leases
9. Any other information that ensures the completeness of the Appraisal
10. The appraiser's qualifications and the supervising or review appraiser's qualifications
11. A copy of the complete, signed engagement letter and a copy of any other communications about the scope of the Appraisal between the appraiser and the Seller/Service

Freddie Mac will also accept a market study incorporated into the Appraisal.

#### **60.21 Insurable value (07/01/14)**

Insurable value must be provided in all Appraisals.

The Replacement Cost is the cost to reconstruct a Property of an equal number of units with equal quality of building materials with equal utility that would be acceptable to the typical investor and tenant in the market in which the Property is located. Replacement Cost is not the cost to construct a replica of the Property.

For insurance purposes, the Replacement Cost may not include goodwill or other intangibles such as value/cost of the land, a deduction for depreciation, cost of site improvements, (e.g., driveways, parking lots, sidewalks, or landscaping), or cost to reconstruct the foundation(s).

#### **60.22 Student Housing Appraisal requirements (06/16/22)**

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Student Housing Properties. The Appraisal must be prepared by an appraiser who has experience in valuing Student Housing Properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must consider the following:

- Trends in student population or enrollment,
- Changes in the supply of on- or off-campus housing, whether sponsored by the school or planned and built by private developers (such as dormitories, for-profit or not-for-profit apartments, and fraternity or sorority housing),
- Distance from the Student Housing Property to the school, and available transportation,
- Any school policies affecting student residency (for example, requirements for freshmen and sophomores to live on campus), and
- Changes to school-sponsored amenities, whether on- or off-campus.

Freddie Mac requires the use of comparable properties that were purchased, developed or leased for student housing. If comparable student housing properties are not available in the local market, the appraiser may use comparable regional student housing properties. The appraiser must evaluate the comparable property and the school it serves with the Student Housing



Property based on the factors described above: student population trends, supply of student housing, distance and transportation between school and housing, amenities, school policies affecting student residency and so forth. These requirements apply to building sales, land sales and rental comparables.

If comparable local or regional student housing properties are not available, non-student housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-student housing to the Student Housing Property.

### **60.23 Collateral evaluation for tax abatement (07/01/14)**

For all Appraisals of a Property with a tax abatement, the preferred Freddie Mac valuation methodology is as follows:

- First, full, stabilized real estate taxes are used to calculate the NOI that is used to determine the property value with full taxes.
- Next, the present value of the tax savings over the term of the tax abatement is determined using a discount rate supported fully by the appraiser.
- The present value of the tax savings is then added to the property value with full taxes to determine the value of the Property with the tax abatement.

Note: If local practice is different from the Freddie Mac preferred methodology, the appraiser may use the local methodology, provided that any differences in technique are fully discussed in the Appraisal.

The appraiser must demonstrate in the Appraisal that the tax abatement is likely to continue for its stated term. This can be accomplished by a variety of methods including a review and discussion within the Appraisal of the tax abatement agreement and/or documented conversation and confirmation of the tax abatement by the Appraiser with the local property tax authority or tax abatement-granting agency.

### **60.24 Affordable Housing and Targeted Affordable Housing (12/14/23)**

In addition to the other requirements of this chapter, the following requirements are for Appraisals of affordable housing properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing affordable housing properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.
2. The appraiser must consider and analyze factors that affect the supply and demand of affordable housing in the subject's market area, including the following:
  - Demand:
    - Trends in household income, especially related to Area Median Income (AMI) tranches applicable to the subject's affordable rental structure



- Trends in occupancy of competing/similar affordable housing properties and market rent properties in the subject's market area
  - Proximity to public/mass transportation
  - Other statistical or researched demand factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
  - Supply:
    - Proposed, ongoing, and recent changes in the supply of affordable housing properties within the Property's market area
    - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market
    - Other statistical or researched supply factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as affordable housing. If comparable affordable housing properties are not available in the local market, the appraiser may use comparable regional affordable housing properties. These requirements apply to building sales, land sales, rental comparables and capitalization rate comparables.
4. If a sufficient number of comparable local or regional affordable housing properties are not available for analysis, non-affordable housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-affordable housing to the affordable housing Property, including marketing time and information derived from the most recent U.S. Census for the location of the Property, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. For Appraisals directly ordered by Freddie Mac for asset management purposes, the appraiser must also opine, describe and support if the highest and best use of the Property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an estimate of market value considering the time period necessary to phase in non-restricted rents.
- In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.
6. If the Property has HUD Project-based Section 8, the appraiser must include the following values:
- The value using the project-based contract rents, and



- The value using the lower of market, project-based contract rents, or achievable LIHTC rents (if applicable) for each type of unit
- 7. If the Property has not achieved stabilized operations, the appraiser must develop both an “as-is” and an “as-stabilized” value.
- 8. If the Property is to be built and is collateral for a Forward Commitment, the appraisal must meet the requirements of Section 60.30.

## 60.25 Seniors Housing Properties (12/14/23)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Seniors Housing Properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing seniors housing properties (i.e., independent living properties and assisted living properties) as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.
2. The appraiser must consider the following:
  - Demand:
    - Trends in the target service area of the subject property indicative of the depth of residency eligibility such as senior population growth or retraction, changes/trends in income and/or net worth of individuals eligible for residency in the subject property, and other factors of seniors housing demand
    - Trends in occupancy of competing/similar seniors housing properties and market rent properties in the subject's market area
    - Other statistical or researched demand factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
  - Supply:
    - Proposed, ongoing, and recent changes in the supply of seniors housing properties within the property's market area.
    - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market area
    - Other statistical or researched supply factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as seniors housing. If comparable seniors housing properties are not available in the local market, the appraiser may use comparable regional seniors housing properties. These requirements apply to building sales, land sales, rental comparables, and capitalization rate comparables.



4. If a sufficient number of comparable local or regional seniors housing properties are not available for analysis, non-seniors housing properties may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-senior housing to the Senior Housing Property including, but not limited to, marketing time and information obtained from the most recent U.S. Census, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. In addition to the hypothetical value if leased at non-restricted rents, the appraiser must opine and support its opinion if the Highest and Best Use of the property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an as-is estimate of market value considering the time period necessary to phase in non-restricted rents.

In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

The Appraisal will clearly and prominently report the total market value of the Property as well as an allocation for contributory business value, personal property and/or other non-real estate items. The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

#### **60.26 Manufactured Housing Communities value (07/01/14)**

In addition to the requirements in this chapter, specific appraiser and Appraisal requirements for Manufactured Housing Communities can be found in Section 22.5.

#### **60.27 Appraisals for lease-up programs (09/25/15)**

Freddie Mac has two types of lease-up offerings: Acquisition Lease-Up and Refinance Lease-Up.

For Properties to be specifically underwritten in either of these two programs, the Appraisal must provide the as-is value of the Property as of the effective date of the Appraisal report (i.e., the current date) and the prospective as-stabilized value as of the prospective future date of stabilized operations for the Property. The Freddie Mac Underwriting Value is based on the prospective as-stabilized value.

The Seller must provide guidance to the appraiser should these values be required.

#### **60.28 Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages and Preservation Rehabilitation Mortgages (02/28/20)**

1. For a Mod Rehab Mortgage, the appraiser must provide the following two values of the Property based on all applicable approaches to value:





- As-is market value
  - Hypothetical as-if renovated and stabilized today market value
2. For a Preservation Rehabilitation Mortgage, the appraiser must provide the following five values of the Property based on all applicable approaches to value:
- As-Is market value with current restricted rents (i.e., rents in-place on the date of value).
  - As-Is market value with the proposed restricted rents that will be in-place subsequent to or concurrent with origination of the Mortgage but prior to construction completion. This is a hypothetical value and does not assume that the renovations are completed on the date of value; just that the proposed restricted rents are in place.
  - As-is market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
  - Hypothetical as-if renovated and stabilized at current market value with restricted rents that will be in-place when the Property is renovated and stabilized. This is a hypothetical value.
  - Hypothetical as-if renovated and stabilized at current market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

The as-is market value is the market value of the Property as of the day of the appraiser's inspection, assuming no renovation work has been done. Standard appraisal approaches and industry best practices in accordance with this chapter apply. This value provides a baseline to determine how much additional value the renovation project might generate.

The hypothetical as-if renovated and stabilized current market value assumes that all planned renovations are complete and the Property has achieved stabilized operations as of the date of the appraiser's inspection. This valuation scenario should not simply add the renovation budget total to the as-is market value, as this calculation might not be indicative of actual contributory value of the planned renovation.

The as-is market value and hypothetical as-if renovated and stabilized current market value are imperative to the credit and underwriting analysis of the Freddie Mac transaction. The Seller/Servicer must provide the appraiser with the pre-construction analysis report, as described in Chapter 63, and the appraiser must provide its opinion on all of the following:

- The specific elements of the renovation that would or might affect market value
- The time needed to complete the planned renovations
- The time needed to achieve stabilized operations after completion of the planned renovations

The appraiser must analyze the effects of the renovation on each of the approaches to value used in the appraisal report. For example, by installing new stainless steel energy saving appliances, the rent might increase, utility expense might decrease, Replacement Reserves might increase





and/or the capitalization rate might change due to investor's perception of the quality of the renovations, causing an impact to the appraiser's income approach and change in market value.

The appraiser must provide rents, property taxes, operating expenses, and capitalization rates data from properties that have recently experienced renovations similar to the subject or are comparable to the proposed renovated Property. If these benchmarks are not available in the local market, the appraiser must explain the extent of research to obtain this type of data and provide an adequate discussion about how these items might impact the value from the as-is market value scenario.

The appraiser must provide separate sales and rent comparables for the as-is market value and the hypothetical as-if renovated and stabilized current market value, as the renovation might promote the Property into a higher class of property.

## **60.29 Appraisals for Mortgages with a Green Up® or a Green Up Plus® loan option (10/12/17)**

If the Seller/Servicer requests a Prospective As-Improved Market Value, the Appraisal must include both an As-Is Market Value and Prospective As-Improved Market Value.

- The As-Is Market Value is the market value of the Property, assuming no Green Improvements have been completed. Standard appraisal approaches and industry best practice per this chapter apply. This value provides a baseline to determine how much additional value the Green Improvements might generate.
- The Prospective As-Improved Market Value must assume that all Green Improvements are completed as of the current date of value.

To develop the Prospective As-Improved value, the appraiser must review the list of Green Improvements that the Borrower has committed to execute at the Property, and consider the contribution of these Green Improvements to the Property's prospective market value. The appraiser should not merely add the projected cost of the Green Improvements to the As-Is value and consider this a complete valuation.

The appraiser must consider how rents, expenses and the capitalization rate will be affected by the Green Improvements and the time it will take to implement the Green Improvements.

The appraiser must reference Form 1106, Green Assessment, including the date of the report and a summary of the report's conclusions and recommendations.

Freddie Mac prefers that the Prospective As-Improved Market Value be supported by comparable sales that also had a similar scope of Green Improvements as well as by the appraiser's survey of investors, lenders, property owners and/or brokers familiar with capitalization rates and investor considerations of Green properties.

In addition, Freddie Mac recommends that the appraiser complete the "Valuation of Sustainable Buildings – Commercial" professional development program offered through the Appraisal Institute. A registry of appraisers who have completed this training can be found at the Appraisal Institute's website.



### 60.30 Appraisals for Forward Commitment Mortgages (12/17/19)

1. For a Forward Commitment Mortgage, the Appraisal must include the following valuation types:
  - a. As-Is current market value
  - b. Hypothetical current restricted value as-if renovated/constructed and stabilized today, with current restricted rents. This is a hypothetical value.
  - c. Hypothetical current market value as-if renovated/constructed and stabilized today, without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
  - d. All other requirements of Chapter 60
2. A new or updated Appraisal will not be required at Conversion for a Forward Commitment Mortgage except if:
  - a. A request has been made for a loan amount in excess of the original committed amount, or if
  - b. The Forward Commitment has been extended to a maturity date that is one year beyond the original Forward Commitment Maturity Date, or if
  - c. The appraisal is dated more than 48 months prior to the date the Conversion package is submitted.

### 60.31 Ground leases (12/12/24)

Freddie Mac purchases Mortgage loans on the leasehold interest in a subject property; *i.e.*, the ownership interest receiving the monthly rent from the property's tenants. It is important, then, that the appraiser adequately model the financial impact of the ground lease payments on the multifamily operations component and consider all aspects of the valuation risk associated with that ground lease on the subject property.

#### a. Valuation conclusions (12/12/24)

At a minimum, Freddie Mac requires the appraiser provide an as-is estimate of the leasehold market value of the subject Property on the date of value (See Section 60.1(b)).

If the Ground Lessor will not join in the Mortgage (unsubordinated ground lease), the appraiser must also provide an as-is estimate of the leased fee market value of the subject Property on the date of value.

Additionally:

- If the ownership interests will be separated by a ground lease after the date of value, the appraisal must provide both the as-is market value of the property as a whole as well as



the hypothetical market value of the leasehold interest of the subject improvements subject to the ground lease, on the same/current date of value as the as-is value

- The appraisal's ground lease value might be the same or different from the negotiated terms between the ownership entities so Freddie Mac requires that the appraisal support the market value of the ground lease, not the investment value to a specific user or owner
- Copies of ground leases and amendments, even if only in draft form, must be provided to the appraiser (See Section 60.6), and the appraiser must include them in the Addenda to the appraisal report (See Section 60.20(8)).

**b. Sale of other multifamily properties that were subject to ground leases (04/15/21)**

For a valuation of the leasehold ownership interests, the appraisal must include sales of other multifamily properties that were also subject to ground leases, where available, as the basis for the Sales Comparison Approach and for the capitalization development in the Income Approach.

Additionally:

- These sales should be as similar to the subject as possible, both physically and in terms of its lease characteristics
- The search for comparable leasehold sales can be local, regional or national, depending on the transaction and property characteristics. The appraiser must discuss the scope of the search used for the comparable leasehold sale transactions.
- If these types of transactions are not available to the appraiser, the appraiser must provide transparency in the report of how they adapted leased fee transactions to the leasehold valuation of the subject property. (See Sections 60.14(b) and 60.14(c)).

**c. Additional data and analysis requirements (04/15/21)**

In addition to the requirements above:

- The appraisal must comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) regarding the value of an assemblage and not merely add the components together to derive the value of the whole.
- If the appraiser concludes that there is a value enhancement due to the separation of the ownership estates, the appraisal must explicitly provide an adequate discussion, analysis, and data to support their opinion of the incremental value of the bifurcation of the ownership
- The format of the appraisal's cash flow model would be dependent on the structure of the ground lease payments (e.g., regular cash flows, a lump sum or irregular series of cash flows)



**d. Report documentation (04/15/21)**

For the subject property's ground lease and for any ground lease or leasehold comparables, the appraiser must provide sufficient transactional information so the transaction can be validated, including, where available:

- Name of Ground Lessor and name of Ground Lessee
- Date of lease execution
- Public record reference of the deed or lease, if applicable, including parcel identification(s) for the land component and the building component
- Description of the site's improvements at the time of lease commencement
- Length and terms of lease and extensions, if any
- The structure of the lease payments
- Identification of any related-party transaction, a sale-leaseback, purchase option, or prior financing history between the parties
- Reversion: What does the ground lease require when the lease expires?
- Indicated capitalization rate, rate of return, and/or discount rate (IRR) from the transaction
- With whom this transactional information was verified

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<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
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<b>Modified filename:</b> 60 - Appraiser and Appraisal Reqs GB-04-22-25.docx	
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Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	31

# Multifamily Seller/Service Guide

## Glossary and List of Commonly Used Acronyms



### Glossary and List of Commonly Used Acronyms (~~02/27/25~~04/22/25)

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

See Floating-Rate Mortgage.

##### Adverse Action Notice

An oral or written communication to a Borrower informing them of the refusal to grant an application for an extension of credit that includes all the information required by law. See Section 10.13.

##### 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.



**Activity of Daily Living**

See Section 21.2.

**Additional Actual Loan Amount**

See Sections 19A.12(d) and 25A.8(b).

**Additional Actual Loan Amount Percentage**

See Sections 19A.12(d) and 25A.8(b).

**Affiliated Persons of the Seller/Service**

Affiliated Persons of the Seller/Service include the following:

1. The Seller/Service's directors, officers, employees and controlling persons
2. Spouses or domestic partners of the Seller/Service's directors, officers and controlling persons
3. Members of the immediate family of the Seller/Service'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/Service
5. Corporations or organizations (other than the Seller/Service or a corporation or organization through which the Seller/Service operates) of which a director, officer or controlling person of the Seller/Service 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/Service 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/Service 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**

See Section 40.2.



**Anti-Money Laundering Laws**

Anti-Money Laundering 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.

**Assisted Living Residence**

See Section 21.2.

**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 is:

- 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
- A LIHTC Syndicator
- Any person or entity that Freddie Mac determines to be a Borrower Principal

**Borrower Transaction Parties**

See Section 7.1.

**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 Section 2.20.

**Business Continuity Plan**

See 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/Servicer, a change in the Control, directly or indirectly, of the management or policies of a Seller/Servicer, 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/Servicer
- 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**

Commercial Property Assessed Clean Energy 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 Section 9.9(b).

**Complete Borrower/Key Borrower Principal Due Diligence Package**

A Complete Borrower/Key Borrower Principal Due Diligence Package consists of:

- Form 1115, Borrower and Key Borrower Principal Certificate;
- Form 1116, Real Estate Schedule;
- Certified current financial statements for the Borrower and Key Borrower Principals;
- Credit report(s) for Guarantors that are individuals;
- Form 1112, Borrower and Key Borrower Principal Blanket Certification; and
- Liquidity verification documentation, if applicable

The Complete Borrower/Key Borrower Principal Due Diligence Package is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.

**Conditions to Conversion**

Conditions to Conversion is, 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.

**Confidential Information**

See Section 2.8.

**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.



**Consent Request Tracker**

See Section 36.25.

**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.

**Continuing Care Retirement Community**

See Section 21.2.

**Control**

Control is 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 is 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 and Key Borrower Principal Certificate is completed will not be considered Convictions.

**Cooperative**

A Cooperative, or 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 Cooperatives 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.

**Critical Repairs**

See Sections 62.3(b) and 62SBL.3(b).

**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**

The Debt Coverage Ratio 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



If the due date is	The Mortgage is 30 days delinquent
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

A Multifamily Software Application used to receive, deliver, and store electronic versions of documents relating to Freddie Mac Multifamily Mortgages.

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**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**

The Due Date Last Paid Installment 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**

Effective Gross Income 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 at [mf.freddiemac.com/lenders/purchase/](http://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 must meet the minimum rating requirements in Section 52.2(a).

**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 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**

See Section 2.25.

**Exception(s)**

Any exceptions to the Seller/Service 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](http://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/Service Providers 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**

See Section 40.14.

**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 at [mf.freddiemac.com/lenders/purchase/](https://mf.freddiemac.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, sanctions violations, 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~~Section 29.2 ~~and 29~~SBL.2.

**First-Time Sponsor**

See Sections 9.2(d) and 9SBL.2(c)(3).

**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

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 Section 19A.2, as supplemented by 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 Access Manager**

A Multifamily Software Application that enables Seller/Service providers who have registered and received Freddie Mac’s authorization, to create, manage, and provision their users’ access to certain servicing tools and applications.

**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 Matters**

See Section 7.1.



**Freddie Mac Matters Contractor**

See Section 7.1.

**Freddie Mac Matters Employee**

See Section 7.1

**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/Service providers at [mf.freddie.com](http://mf.freddie.com).

**Funded Forward Commitment**

See Section 28A.2.

**General Loan Information**

See Sections 40.11, 41.1(a), and 41SBL.1(a).

**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 One<sup>SM</sup> 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®.

**Ground Lease**

See Section 30.1.

**Ground Lease Mortgage**

See Section 30.1.

**Ground Lessee**

See Section 30.1.

**Ground Lessor**

See Section 30.2.

**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/Service 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 at [mf.freddie-mac.com/lenders/purchase/](http://mf.freddie-mac.com/lenders/purchase/).

**Hard Subordinate Debt**

See Section 19.2(f).

**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 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 “”Section 27.20.

**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 is 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.

**Independent Living Property**

See Section 21.2

**Index Lock**

See Section 27.1(b).

**Index Lock Agreement**

See Section 27.1(b).

**Industry Trained Inspector**

See Section 40.13(b).



Insurance Compliance Tool

A Multifamily Software Application for Sellers to submit documentation related to Borrower’s insurance compliance.

Key Borrower Principal

Key Borrower Principal is:

- 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.

Leasehold Interest

See Section 30.1.





Legal Issues Analysis

See Sections 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.

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**Linked Buildings**

For SBL Mortgages, 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).

**Limited Multifamily Experience Sponsor**

See Section 9.2(d).

**Liquid Assets**

For the purposes of Seller/Servicer financial eligibility, see Section 3.3(a).

Otherwise, see Liquidity.

**Liquidity**

Cash, cash equivalents, Treasury bills, money market investments or certificates of deposit with maturities of one year or less, and marketable securities (such as stocks and bonds). Restricted assets, pledged accounts, and stocks or bonds for a company or municipality in default or bankruptcy must be excluded. All Liquidity must be measured in US Dollars.

**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 at [mf.freddiemac.com/lenders/legal/](http://mf.freddiemac.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](http://mf.freddie.mac.com) includes a list of current Loan Documents. The revision date is indicated for each Loan Document.

**Loan Management Form**

See Section 40.2.

**Loan-to-Value Ratio**

The ~~Loan-to-value~~**Loan-to-Value** 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.

**Malicious Code**

See Section 2.26(c).

**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 Product**

A program under which Freddie Mac Multifamily will purchase Mortgages secured by Manufactured Housing Communities, as described in Chapter 22.

**Manufactured Housing Resident-Owned Community**

See Section 22.1(b).

**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 Material Vendors web page for more details and examples of Material Vendors.

MHC Tenant Protections

See Section 22.1(b).

MHC Tenant Protections Notification

See Section 22.2(p).

Minimum Consumption Savings Threshold

See 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" is 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.

Moderate Rehabilitation Mortgage

See Section 17.4.

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**Moisture Management Plan**

An Moisture Management Plan 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 a Moisture Management Plan is required, the Moisture Management Plan 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

**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" is 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 Eligibility System**

A Multifamily Software Application for Seller/Service providers to submit monthly, quarterly and annual certifications, and update vendor inventory.

**Multifamily Loan Documents**

See Loan Documents.

**Multifamily Securities Investor Access**

A Multifamily Software Application that provides investors and analysts with information related to Freddie Mac Multifamily K-Deals®, ML-Deals<sup>SM</sup>, Q-Deals<sup>SM</sup>, SB-Deals®, and Multi PC® mortgage-backed securities and their underlying collateral.

**Multifamily Software Applications**

The software applications that Freddie Mac provides to the Seller/Service provider 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/Service provider Guide via AllRegs® Online (Guide)
- myOptigo<sup>SM</sup>
- Origination and Underwriting System (OUS)
- Property Reporting System (PRS)



- Small Balance Loan Production Pipeline Manager (PPM)

**Net Operating Income**

Net Operating Income 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 available at [mf.freddiemac.com](http://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 Section 61.2(b).

**Non-U.S. Equity Holder**

A Non-U.S. Equity Holder is 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.

**OFAC Lists**

[The OFAC Specially Designated Nationals and Blocked Persons List and the OFAC Consolidated Sanctions List.](#)

**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.freddie.mac.com](http://mf.freddie.mac.com).





**Origination and Underwriting System**

A Multifamily Software Application that automates the workflow involved in processing loan applications from receipt of the Loan Submission Template through the underwriting process.

**Participation Certificate**

A Participation Certificate represents an undivided interest in specified Mortgages purchased by Freddie Mac from a single Seller, either for cash or in exchange for Participation Certificates, and placed in a discrete pool bearing a unique Participation Certificate pool number. Participation Certificates are offered only in book-entry form.

**Pledged Mortgage**

See Section 33.1.

**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 Life Safety Hazard.

**PR-90 Repairs**

See Sections 62.3(b) and 62SBL.3(b).

**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 Section 9.9(b).

**Preferred Equity Return**

See Section 9.9(b).



**Preliminary legal issues memorandum**

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.

**Priority Repairs**

See Sections 62.3(b) and 62SBL.3(b).

**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 is 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**

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.

**Public Records Searches**

See Section 2.28.

**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/Servicer'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/Servicer must service each Mortgage that the Seller/Servicer 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/Servicer'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/Servicer 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/Servicer'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.

**Rapid Growth Sponsor**

See Sections 9.2(d) and 9SBL.2(c)(3).

**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 are 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**

Real Estate Owned is property acquired through foreclosure or deed in lieu of foreclosure.

**Redemption Date**

See 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 Cost Value**

See Section 31.1(d).

**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 is 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**

As further defined in Chapter 9SBL, a Restricted Multiple Asset Entity 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 Personalty (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

**Restricted Party**

See Section 7.1.

**Restricted Party Lists**

See Section 7.1.

**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.

**Schedule of Values**

See Section 31.1(d).

**Scope Issues**

See Section 61.2(b).

**Securitization**

Securitization is the transaction in which the Note for a Mortgage is assigned to a REMIC (Real Estate Mortgage Investment Conduit), grantor trust or partnership trust.





**Security Incident**

See 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.

**Seniors Housing Liability Assessment**

See Section 21.2.

**Seniors Housing Mortgage**

See Section 21.2.

**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

**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.

**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**

An Single Asset Entity 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/Servicers 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/Servicers jointly in the origination, delivery and purchase of TEL Mortgages.

**Single Purpose Entity**

An Single Purpose Entity 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

**Skilled Nursing Property**

See Section 21.2.

**Small Balance Loan Production Pipeline Manager**

A Multifamily Software Application that enables Sellers and Freddie Mac to monitor the progression of Small Balance deals.



**Soft Subordinate Debt**

See Section 19.2(f).

**SPE Equity Owner**

An SPE Equity Owner is 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.

**Stand-Alone Memory Care Property**

See Section 21.2.

**Subordinate Financing**

Subordinate Financing is any Mortgage or other lien that is subordinate to the lien of the first Mortgage on the Property.

**Supplemental Mortgage**

See Section 20.1.



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.

Targeted Affordable Housing 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

A Tax-Exempt Loan is originated under Chapter 25 or Chapter 25A.

Title Agent

An approved agent or agency authorized by the Title Insurance Underwriter to write or issue a Title Policy.

Title Company

Individually and/or collectively, any Title Insurance Underwriter, Title Agent, and/or escrow and settlement company that is issuing a Title Policy, recording documents and/or performing escrow and settlement functions in connection with a Mortgage transaction. When a Title Insurance Underwriter and a Title Agent are handling separate matters for a Mortgage closing, the term Title Company will include both such parties.

Title Insurance Underwriter

An entity that underwrites and issues, or authorizes issuance of, a Title Policy or, as applicable, reinsurance or coinsurance for a Title Policy, that is the party insuring the risks addressed by the Title Policy or such reinsurance or coinsurance, and which is licensed to do business in the jurisdiction where the Property is located (unless such jurisdiction is Iowa) and regularly issuing title insurance in such jurisdiction. A Title Insurance Underwriter may also authorize its Title Agent to write a Title Policy.

Title Policy

A single paid-up loan title insurance policy meeting ~~(a) for each non-SBL Mortgage, the requirements in Chapter 29 and the Title Policy and Endorsement Requirements, or (b) for each SBL Mortgage, the requirements in Chapter 29SBL.~~



Total Insurable Value

See Section 31.1(d).

Transfer of Ownership

For the purposes of Chapter 41, Transfers of Ownership and Chapter 41SBL, SBL Transfers of Ownership is 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 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.

Unfunded Forward Commitment

See Section 28A.2.

Value-Add Mortgage

See Section 17.2.

~~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).~~

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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

The Weighted-Average Coupon 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 Weighted-Average Coupon is conclusive.

Weighted-Average Remaining Maturity

The Weighted-Average Remaining Maturity 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 Weighted-Average Remaining Maturity 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 Mortgage 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.

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**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

#### ARM

Adjustable-Rate Mortgage

#### ASTM

American Society for Testing and Materials. See Chapters 61, 62, 64 and 66.

#### CCRC

Continuing Care Retirement Community

#### C-PACE

Commercial Property Assessed Clean Energy

#### Co-op

Cooperative

#### CRT

Consent Request Tracker

#### DCR

Debt Coverage Ratio

#### DDLPI

Due Date of Last Paid Installment

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**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

**EPSH**

Employer Enabled Permanent Supportive Housing

**FAM**

Freddie Mac Access Manager

**FEMA**

Federal Emergency Management Agency

**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

**MTNA**

Mortgage Transaction Narrative Analysis



**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

**RCV**

Replacement Cost Value

**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

**SFHA**

Special Flood Hazard Area

**SOV**

Schedule of Values

**SPE**

Single Purpose Entity

**TAH**

Targeted Affordable Housing

**TEL**

Tax-Exempt Loan

**TIV**

Total Insurable Value

**UPB**

Unpaid Principal Balance

**WAC**

Weighted Average Coupon

**WARM**

Weighted Average Remaining Maturity

<b>Summary report:</b>	
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<del>Move From</del>	0
<u>Move To</u>	0
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<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	88