

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

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A combined redlined file of all Guide chapter changes  
made with the May 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 May 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 May 22, 2025 Bulletin and Appendix A to May 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

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## **2.1 Requirements related to Financial Crimes and the integrity of parties involved in Freddie Mac business (07/01/25)**

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

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.

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

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

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

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

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

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

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

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

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

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

## **2.7 Freddie Mac audit (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/Serviceirs 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/](https://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](https://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/Servicers regarding such changes.

**b. Seller/Servicers not approved to sell to Freddie Mac (06/27/19)**

A Seller/Servicer 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/Servicer remains solely responsible and liable for, and Freddie Mac undertakes no responsibility and/or liability in connection with, any error, omission, malfunction and/or negligence caused by Seller/Servicer's use of Freddie Mac Approved Third Party Applications.

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

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



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

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

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

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

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

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

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

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

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

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

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

## **2.13 System administrator requirements (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/Servicer must add, update or remove access for system administrators by submitting [Form 1146, System Administrator Add/Update/Remove Request Form](#), following the directions found on the form.

#### **b. System administrator responsibilities (12/12/24)**

The system administrator is required to identify:

- Each Seller/Servicer employee (or vendor) who needs access to a particular Freddie Mac Multifamily Software Application, Freddie Mac Approved Third Party Application and/or Multifamily secure content on [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/Servicer leaves the Seller/Servicer'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](mailto: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](mailto: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/Servicer'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/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. 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/Servicer 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/Servicer's liability set forth in this section, establish minimum security standards that the Seller/Servicer must comply with in order to:

1. Protect and safeguard the Seller/Servicer's Electronic Signature from loss, theft or unauthorized disclosure or use; and
2. Prevent the infiltration and infection of the Seller/Servicer'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/Servicers, 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/Servicers, 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/Servicer's agreement regarding Electronic Records and Electronic Signatures (06/25/20)**

1. The Seller/Servicer consents to the use of Electronic Records and/or Electronic Signatures whenever expressly required or permitted by Freddie Mac.
2. The Seller/Servicer agrees to adopt any Electronic Signature required or provided by Freddie Mac.
3. The Seller/Servicer 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/Servicer 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/Servicer 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/Servicer 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/Servicer representation or warranty regarding the same.

5. Before Freddie Mac requires or permits the Seller/Servicer to send any Electronic Transaction to Freddie Mac, Freddie Mac may specify its requirements for the Seller/Servicer's Computer System and ISP, in which event the Seller/Servicer must ensure that it complies with those requirements.
6. The Seller/Servicer agrees that it is able to readily print, store and retrieve any Electronic Record transmitted by Freddie Mac to it; and the Seller/Servicer is able to transmit or submit Electronic Records to Freddie Mac.
7. The Seller/Servicer agrees that it is fully responsible for protecting and safeguarding its Computer System from all Computer Contagions that may damage Freddie Mac's or any Freddie Mac Host's Computer System.

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

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

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

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

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



1. Any delay or failure in performing its obligation under an Electronic Transaction when the delay or failure is caused by an event beyond Freddie Mac's control:
  - That could not reasonably be expected to have been taken into account at the time of the Electronic Transaction, or
  - The consequences of which could not be avoided or overcome
2. The failure of its or the Seller/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/Service 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 (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/Servicers can access the Exclusionary List under "Quick Links" on the [Originate and Underwrite](#) and [Asset Management](#) web pages.

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

The Seller/Servicer must use the Exclusionary List only for the purposes set forth in this Section 2.18(c). Except as provided in Section 2.18(f), if a party on the Exclusionary List has played one of the roles set forth in this Section 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/Servicer must have written practices and procedures in





place that instruct employees how to conduct searches of the Exclusionary List and how to verify and address potential positive and positive matches.

A Seller/Servicer may contact Freddie Mac via [elist\\_confirmation@FreddieMac.com](mailto:elist_confirmation@FreddieMac.com) regarding:

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

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

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

The Seller/Servicer must 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/Servicer for the purpose of working on any origination or servicing transactions involving Freddie Mac Mortgages.

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

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 and Chapter 7.

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

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 and Chapter 7.

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.

### **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 (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:

- 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 (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 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 (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 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 (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 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.



## I. 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 (07/01/25)

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 (07/01/25)**

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.

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/Servicer Change Notification) within 30 calendar days.

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

- Financial Crimes and other Suspicious Activity (see Chapter 7)
- Business continuity and recovery (see Section 2.20)
- 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.

**2.20 Business continuity and recovery (12/12/24)****a. Business Continuity Plan (12/12/24)**

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

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

- Documentation that the Business Continuity Plan can sustain the Seller/Servicer’s core operations through an event involving total loss of any facilities and personnel deemed critical to core operations
- Defined recovery time objectives and a strategy for meeting those objectives



- Documentation that the Business Continuity Plan has in place backup sites with the ability to recover all core operations if a Business Disruption prevents operations at any Seller/Service facility
- Geographically dispersed work areas and resources available in the event of a regional disruption
- Documented procedures for crisis management, plan invocation and activation of recovery sites
- Identification of all mission-critical systems, external dependencies, network diversity, vital records, personnel and the provisions in place to ensure their continued availability
- Standards and controls that are appropriate for customers participating in the critical financial services markets

The Business Continuity Plan must be reviewed and updated at least annually.

Additionally, at least annually, the Servicer must test its Business Continuity Plan and retain evidence of the test results. The Seller/Service 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 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 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 must follow the requirements in Section 2.26(c).



Business Disruption notification requirements	
The Seller/Serviceicer 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 <a href="mailto:multifamily_eligibility@freddiemac.com">multifamily_eligibility@freddiemac.com</a> 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/Serviceicer'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 <a href="mailto:multifamily_eligibility@freddiemac.com">multifamily_eligibility@freddiemac.com</a> with all details of the Business Disruption known at that time and related internal and external investigations, including all tactics, techniques and procedures for addressing and resolving the Business Disruption
2.	Once known, email Freddie Mac at <a href="mailto:multifamily_eligibility@freddiemac.com">multifamily_eligibility@freddiemac.com</a> 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/Serviceicers (07/01/14)

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

## 2.22 Bank Secrecy Act compliance (07/01/25)

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



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

Freddie Mac requires Seller/Serviceers 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/Serviceers not subject to the Bank Secrecy Act (07/01/25)**

Freddie Mac requires Seller/Serviceers 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:

- Policies, procedures, and internal controls based on the Seller/Serviceer'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

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

The Seller/Serviceer 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/Serviceer'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.

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

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

Freddie Mac requires every Seller/Serviceer 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/Serviceer'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/Servicer'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/Servicer 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 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) (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/Servicers 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/Servicers are responsible for reviewing the FHFA SCP List and related final suspension orders, which can be found on the FHFA's web site at <http://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx>.

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

It is the Seller/Servicer's responsibility to verify that 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.

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~~05/22/24~~25~~)

(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 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 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/Servicer

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

- (b) Equity interests held through equity investments made in third-party investment vehicles (such as REITs not managed by the Seller/Servicer, mutual funds, exchange-traded funds, index funds and SEC-registered funds) that directly or indirectly own and/or control the Property are not considered Equity Conflicts of Interest.
- (c) Seller/Servicer-Level Owners of tax credit equity investments in Low-Income Housing Tax Credit (LIHTC) transactions, as a LIHTC Investor (directly or through a syndication) or as a LIHTC Syndicator, are acceptable Equity Conflicts of Interest, but must be disclosed to Freddie Mac as provided in the Guide.





- (d) Equity Conflicts of Interest must be disclosed to Freddie Mac as provided in Sections 9.2, 9SBL.2, 36.18, 41.4, 41SBL.4(c), 55.2 and 55SBL.2. In addition, the Seller/Servicer must contact its Freddie Mac representative in the following instances:
  - (i) The ownership thresholds exceed the levels outlined above
  - (ii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest currently has or will have the ability to assume control of the Borrower
  - (iii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest is a Guarantor of the applicable Mortgage regardless of ownership level
  - (iv) The Seller/Servicer or its affiliate has an equity interest in the form of mezzanine debt, a Preferred Equity Contribution or Subordinate Financing
  - (v) The Seller/Servicer or its affiliate is selling a Property in which it has an equity interest and the applicable Mortgage provides acquisition financing for the Property
  - (vi) The individual attorney representing the Seller/Servicer in the applicable Mortgage has an equity interest in the Property or Borrower
- (e) A Transfer of Servicing will be required on or prior to Freddie Mac's purchase of the Mortgage if a Seller/Servicer-Level Owner holds 25 percent or more of the total direct and indirect interest in the applicable Borrower. Transfer of Servicing is not required for LIHTC transactions with the Equity Conflicts of Interest described in Section 2.25(c).
- (f) Seller/Servicer, or an affiliate of Seller/Servicer, having an equity interest in the form of a Preferred Equity investment for a non-SBL Mortgage is an acceptable Equity Conflict of Interest subject to satisfaction of the following:
  - (i) The Equity Conflict of Interest is disclosed to Freddie Mac as provided in the Guide
  - (ii) A Transfer of Servicing must occur on or prior to Freddie Mac's purchase of the Mortgage. Notwithstanding the foregoing, if approved by Freddie Mac as provided in the Letter of Commitment, a Transfer of Servicing will not be required on or prior to Freddie Mac's purchase of the Mortgage, in which case, such Transfer of Servicing must occur on or prior to Seller/Servicer, or an affiliate of Seller/Servicer, assumes Control of the Borrower.
  - (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/Service providers 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/Service providers' files, records, storage facilities and systems
- Files, records, storage facilities and systems of any third party or third-party provider that the Seller/Service provider engages to provide it with technology and/or other services

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

The [National Institute of Standards and Technology \(NIST\)](#) and the [Federal Financial Institutions Examination Council \(FFIEC\)](#) provide detailed guidance on their public web sites on the components of a successful information security program. Seller/Service providers are strongly encouraged to review this guidance.

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

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

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

### a. Information security minimum requirements (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/Service providers 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/Service providers must additionally certify that Freddie Mac data is protected in accordance with their established information security policies and procedures. This certification is completed as part of the [Form 16M, Annual Certification](#), process.

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

## (ii) Human resources security

Seller/Service providers must meet the following human resources security requirements:

- **Pre-employment screening:** Each Seller/Service provider must conduct, or retain a qualified third party to conduct, thorough background verification checks (screening) for all candidates for employment or contractor status who will have access to Freddie Mac information.
- **Confidentiality and acceptable use:** Before granting access to Freddie Mac information or systems, a Seller/Service provider 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 provider 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 provider'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 provider, 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 FFIEC 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.
- 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/Service 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/Service 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.
- Prioritize and remediate identified vulnerabilities.
- 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.

The Seller/Service Provider should ensure an independent security assessment of the control environment is performed not less than annually and upon the occurrence of any 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 Provider develops applications or software that either store, access, process or transmit Freddie Mac information, the Seller/Service Provider must develop, implement and maintain written SDLC requirements that include, at minimum:

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

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

#### **(i) Treatment of sensitive information**

The Seller/Service Provider 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 Provider must develop and execute a process for de-identifying sensitive personal data (e.g., masking or truncating the data) that is stored in a system. The data must be de-identified such that the remaining information does not identify an individual and there is no reasonable basis to believe that the information can be used to identify the individual.

#### **(ii) Data Encryption**

The Seller/Service Provider must:

- Provide for the protection, integrity and confidentiality of data in transit and at rest
- Use Encryption during transmission and at rest for any potentially sensitive personal 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 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.).
  - 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/Service providers 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 provider 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 provider 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 provider must notify Freddie Mac of the Security Incident by completing the [Freddie Mac Incident Intake Form](#).

If the Seller/Service provider 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 provider must promptly investigate, mitigate and remediate the Security Incident at the Seller/Service provider'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 provider 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 provider 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/Servicer 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/Servicer must comply in a timely manner with applicable laws. Where a Security Incident creates an obligation to notify impacted individuals, the Seller/Servicer 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/Servicer must comply with applicable laws that require notification to federal or State authorities. Promptly following a request by Freddie Mac, the Seller/Servicer 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/Servicer'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/Servicer is appropriate, as a condition to such access restoration, Seller/Servicer



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

## **2.28 Public Records Searches (04/22/25)**

Seller/Services 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 (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/Services 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/Servicer'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/Servicer must retain evidence of destruction. Upon request, Seller/Serviceers 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/Service's use of AI/ML. Freddie Mac shall provide the Seller/Service with notice of any such claim after it comes to Freddie Mac's attention.

# Multifamily Seller/Service Guide

## Chapter 31

### Insurance Requirements



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## 31.1 General insurance requirements and insurance terms (02/05/22/24/25)

This chapter states the Property and Liability Insurance requirements applicable to Multifamily loans purchased by Freddie Mac.

### a. General requirements (06/30/16)

At all times during the term of the Mortgage, the Seller/Servicer must:

- Ensure that the Property is covered by all insurance policies required by the Loan Documents and the Purchase and Servicing Documents
- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Arrange for all insurance notices, policies, invoices and correspondence relating to any insurance policy to be delivered directly to the Seller/Servicer
- Comply with the stated insurance coverage and limit requirements in this Chapter 31 that are applicable to the Property
- Comply with all documentation, delivery and Servicing requirements of this Chapter 31

### b. Requirements applicable only to SBL Mortgages (12/15/22)

#### 1. Requirements for adequate property and liability insurance coverage

As of the Freddie Mac Funding Date and throughout the term of the SBL Mortgage, the Seller/Servicer must evaluate the insurance coverage and limits for each Property and ensure, to its satisfaction, that adequate property and liability insurance coverage is in place.

The term “Recommended Insurance Standards” means all of the standards for insurance coverage and limits as well as any related guaranty requirements set forth in this Chapter 31.

When evaluating the adequacy of the property and liability insurance coverage for the Property, the Seller/Servicer must refer to the Recommended Insurance Standards and must document, as specified in Section 31.1(b)(2), any insurance coverage limit, insured peril, or other aspect of the insurance coverage that differs from the Recommended Insurance Standards. The Seller/Servicer may approve insurance coverage for the Property that differs from the Recommended Insurance Standards provided that the Seller/Servicer ensures that the insurance coverage maintained for the Property includes adequate coverage for the kind of risks customarily insured against and in such minimum coverage and maximum deductibles as are customarily and generally acceptable to institutional lenders for properties comparable to the Property.

At all times during the term of the SBL Mortgage, the Seller/Servicer must also:

- Ensure that the Borrower and the Property are covered by all insurance policies required by the Loan Documents



- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Comply with all documentation, delivery and servicing requirements of Sections 31.2 through 31.28

The Seller/Servicer is not permitted to exercise its discretion to approve coverage that differs from the following:

- The All-Risk insurance requirements in Section 31.5
- The Business Income/Rental Value Insurance requirements in Section 31.6
- The flood insurance requirements in Section 31.8
- The earthquake insurance requirements in Section 31.9

## 2. Representations of adequate insurance coverage; Coverage and Gap Reporting

As of the Freddie Mac Funding Date and throughout the term of each SBL Mortgage, the Seller/Servicer must document via the Insurance Compliance Tool (ICT) each of the following (collectively, “Coverage and Gap Reporting”)

- The property and liability limit insurance coverage in place for the SBL Mortgage
- Any insurance coverage limit, insured peril or other aspect of insurance coverage for the SBL Mortgage that differs from the Recommended Insurance Standards applicable to the Property

Freddie Mac will accept the Coverage and Gap Reporting entered by the Seller/Servicer into the ICT as the Seller/Servicer’s representation of adequate property and liability insurance coverage for the SBL Mortgage and justification of the adequacy of coverage where coverage gaps are present.

### c. Form of coverage (06/30/1605/22/25)

The required insurance coverage may be provided by one individual policy, separate individual policies, one or more Blanket Insurance ~~policies, a master program~~ Policies, a Master Insurance Policy, or any combination of these. Coverage may also be added to a policy through endorsements or riders. Regardless of the form, each policy, endorsement or rider must show the complete address of the Property.

### d. Additional insurance terms (0205/22/2425)

The following insurance terms when used in this chapter have the following meanings:

#### 1. Actual Cash Value (ACV)





Actual Cash Value is a method used to determine the amount an insurer will pay in the event of loss. The ACV is intended as a proxy for the value of the property at the time of loss. It is typically calculated by establishing the cost to repair or replace damaged property with material of like kind and quality, and deducting the physical depreciation at the time of the damage or loss.

#### **4.2. Agreed Amount ~~provision~~ Provision or Agreed Value Endorsement**

~~The~~An Agreed Amount Provision or Agreed Value Endorsement is an endorsement in a commercial property insurance policy in which the Borrower and the insurance company agree ~~that if the Property is insured for a specified dollar amount, the~~ on the insurable value of a specific property. The provision has the effect of suspending the policy's Coinsurance Clause ~~will be offset or suspended.~~ until a specified expiration date.

#### **2.1. ~~Specific Insurance Limit~~**

~~A Specific Insurance Limit provides one "per occurrence" (per peril) limit that applies to a single location. Specific Insurance Limits may be provided through an individual policy or through a master policy with scheduled limits for each location.~~

### **3. Blanket Insurance Limit**

A Blanket Insurance Limit provides one "per occurrence" limit as a shared limit for more than one property or more than one category of coverage, or both. Blanket Insurance Limits may be provided by an individual policy or a blanket policy.

### **4. Blanket Insurance Policy**

A blanket insurance policy provides coverage for multiple properties and/or multiple perils ~~through a single policy with Blanket Insurance Limits.~~ with a single, per-occurrence limit that is shared among the properties covered.

### **5. Captive Insurance Company or Captive Insurer**

A captive insurance company or Captive Insurer is wholly owned and controlled by its insureds, whose primary purpose is to insure the risks of its owners, and its insureds benefit from the captive insurer's underwriting profits. See Section 31.27.

### **6. Claims Made Policy Form**

A claims-made policy provides coverage that is triggered when a claim is made against the insured during the policy period.

#### **5.1. ~~Master Insurance Policy~~**

~~A master insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Specific Insurance Limits scheduled for each property covered by the policy.~~



## 6.7. Coinsurance Clause

The Coinsurance Clause requires the Property to be insured for a specific percentage of the Property's Replacement Cost Value (typically 80, 90 or 100 percent) ~~in exchange for a lower rate.~~ If, at the time of loss, it is determined that the insurance purchased is less than the insurance required by the Coinsurance Clause, the loss recovery will be limited to the same percentage of loss as the ratio of the insurance amount carried to the insurance amount required.

## 7.1. Joint Loss Agreement

~~Where the property damage policy and the Boiler and Machinery policy are provided by different insurance companies, an endorsement added to both the property damage policy and the Boiler and Machinery policy that requires the respective insurance companies to each pay 50 percent of any claim covered by both policies.~~

## 8.1. Replacement Cost Value

### 8. The Replacement Cost Insurable Value

Insurable Value (RCV) is ~~the estimated cost~~ an estimate of the maximum amount needed to replace, repair, or reproduce the Property improvements on the same premises with improvements of comparable material and quality and used for the same purpose.

~~The following items should not be included in the estimated RCV:~~

- ~~• Cost to reconstruct the foundation(s). (However, when determining the RCV of improvements for flood insurance, the value must include the cost to repair or replace the foundation and supporting structures)~~
- ~~• Cost of site improvements, such as driveways, parking lots, sidewalks, and landscaping~~

, but excluding any land value.

Though the Seller/Service may use other reliable resources to determine estimated ~~RCV~~ Insurable Value, the most common resources include:

- **Insurance company** – the ~~RCV~~ Insurable Value estimate provided by the insurance company that has underwritten or will underwrite the property damage insurance. Using the insurance company's estimate, where provided, will help reduce any disagreements about coverage if a claim is filed
- **Appraiser** – ~~Appraisal~~ – a document prepared by a qualified commercial real estate appraiser experienced in the market
- **Contractor** – a reputable commercial contractor with experience constructing and/or reconstructing properties in the area similar to the Property
- **Third-party vendor** – a third-party vendor that specializes in ~~RCV~~ Insurable Value calculations or publishes data used for this purpose



## 9. Joint Loss Agreement

A policy provision used when more than one insurer affords coverage to the same property to temporarily allocate losses to ensure prompt payment to the policyholder. When there is a loss that is covered by both policies, the joint loss agreement provides that the insurers pay any undisputed amounts to the policyholder. All remaining sums are then paid in equal shares to the policyholder. The insurers then arbitrate among themselves to determine final responsibility for those sums.

## 10. Localized Peril or Regional Peril

A localized peril refers to unique geographical phenomena such as sinkholes, mine subsidence, volcanic eruptions, or avalanches.

## 11. Master Insurance Policy

A master insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Specific Insurance Limits scheduled for each property covered by the policy.

## 12. National Flood Insurance Program (NFIP)

The National Flood Insurance Program was established by the National Flood Insurance Act to offer primary flood insurance to properties with significant flood risk, and to reduce flood risk through the adoption of floodplain management standards.

## 13. 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.

## 14. Replacement Cost Value

### **9. Actual Cash Value**

The Replacement Cost

Actual Cash Value (RCV) is the estimated cost to ~~repair or~~ replace ~~damaged~~ the property improvements on the same premises with improvements of comparable material and quality and used for the same purpose.

The following items should not be included in the estimated RCV:

- Cost to reconstruct the foundation(s). (However, when determining the RCV of improvements for flood insurance, the value must include the cost to repair or replace the foundation and supporting structures)
- Cost of site improvements, such as driveways, parking lots, sidewalks, and landscaping

## 15. Specific Insurance Limit



A Specific Insurance Limit provides one “per occurrence” (per peril) limit that applies to a single location. Specific Insurance Limits may be provided through an individual policy or through a ~~with material of like kind and quality, minus physical depreciation at the time of the damage or loss~~ Master Insurance Policy with scheduled limits for each location.

#### **10.16. Total Insurable Value (TIV)**

The Total Insurable Value ~~(TIV) equals~~ is the sum of the RCV full value of the ~~building(s), the insured’s covered property,~~ business income ~~rental value values,~~ and ~~the value of the business personal property, if any~~ other covered property.

#### **11.17. Schedule of Values (SOV)**

A Schedule of Values ~~(SOV)~~ is a listing of insurable values (all elements of the TIV) provided to an insurance company for all properties for which an insured Borrower requires coverage under a property insurance policy.

### **31.2 General requirements for Borrower's property damage and general liability insurance (12/14/18)**

As of the Freddie Mac Funding Date and throughout the term of the Mortgage, the Seller/Servicer must ensure that the Borrower has in force property damage and liability insurance coverage for the Property, including Cooperatives (Co-ops), that meets the requirements of the Purchase and Servicing Documents.

All property damage and general liability insurance forms and policies must provide coverage that is equivalent to the coverage contained in the Insurance Service Office (ISO) forms and policies.

#### **a. Acceptable forms (06/30/16)**

ISO’s standard Special Causes of Loss Form (formerly referred to as “All Risk”) and Commercial General Liability Form are acceptable forms of property damage and liability insurance, respectively.

#### **b. Insurance term (12/14/17)**

Generally, insurance policies are written for a term of 12 months. However, Freddie Mac will permit a policy of any term, as long as the policy is in full force and effect on the Origination Date of the Mortgage and coverage remains continuous throughout the term of the Mortgage.

See Section 31.22 for additional information on renewals.

#### **c. Reserve (05/~~04/14~~22/25)**

Unless otherwise set forth in the Loan Documents or otherwise deferred by Freddie Mac, the Servicer must collect sufficient funds on the Origination Date and through subsequent monthly Reserve payments to pay the premiums for all insurance policies required in the Purchase and Servicing Documents. The Servicer must also collect Reserves for an additional amount of the estimated cost of such premiums, if required by the Loan Documents. If National Flood Insurance Program (NFIP) flood insurance is required, the



Seller/Servicer must collect Reserves for the NFIP flood insurance if the Seller/Servicer collects Reserves for other insurance on the Property.

Unless Freddie Mac has deferred the collection of the Reserves for insurance premiums for Blanket Insurance ~~policies, master programs~~ Policies, Master Insurance Policies, and liability insurance policies covering multiple properties, the Seller/Servicer must either:

- Collect Reserves for the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies, or
- Collect Reserves for an amount sufficient to purchase an individual insurance policy or policies providing Specific Insurance. Limits

If the Servicer collects a Reserve for insurance premiums, the Servicer must pay the premiums for all required insurance when due.

If the Servicer does not maintain a Reserve for insurance premiums, the Seller/Servicer must ensure that the Borrower has made the payments as required in Section 31.2(g).

See Section 39.2 for additional information regarding Reserves and payments.

**d. Named insured (05/07/0722/25)**

The ~~named insured in each~~ below insurance updates are effective for all loans under Seller Application on or after June 2, 2025 and insurance policy renewals on or after July 21, 2025.

All insurance policies must ~~be list~~ the Borrower ~~or the Borrower Principal. If the Borrower Principal is the named insured, the Borrower must be named as an additional~~ a named insured.

**e. Mortgagee clause and additional insured (12/14/18)**

Each property damage policy (including all perils within the scope of “Causes of Loss – Special Form” or “All Risk” policy, and any other cause for which Freddie Mac requires or may require property damage insurance) required by the Purchase and Servicing Documents must contain a standard mortgagee clause and a loss payable clause in favor of, and in a form acceptable to, Freddie Mac.

Each general liability policy (including commercial general liability (CGL), umbrella liability and excess liability) must name Freddie Mac as an additional insured. If umbrella or excess liability policies are “Follow Form” to the underlying CGL policy, verification of additional insured status on the umbrella or excess policies is not required.

Freddie Mac must not be named as an additional insured in any professional liability insurance policies, including a primary, excess and/or umbrella professional liability insurance policy for a Seniors Housing Mortgage with assisted living, Alzheimer’s care, and/or skilled nursing units.



Except as noted above, the mortgagee (for a property damage policy) and additional insured (for a liability policy including commercial general liability (CGL), umbrella liability and excess liability) in the Borrower's insurance policies must be designated as shown in the following example:

FREDDIE MAC its successors and assigns  
C/O NAME OF SELLER/SERVICER  
100 MAIN STREET  
HOMETOWN USA 12345

**f. Cancellation clause (05/05/17)**

Unless required otherwise by State law, each property damage insurance policy must provide that the insurer will notify the named mortgagee in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason.

General liability and umbrella or excess liability insurance policies must provide that the insurer will notify at least the named insured in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason, unless otherwise required by State law. Note that under the terms of the Loan Documents, the Borrower must promptly deliver to the lender a copy of any notices received by the Borrower with respect to the insurance policies.

**g. Proof of payment (10/31/12)**

The Seller/Servicer must ensure that the Borrower:

- Has paid all initial insurance policy premiums in full prior to final delivery of the Mortgage to Freddie Mac, and
- Pays all insurance premiums for all renewals (or new policies, as applicable) in advance of the due date throughout the term of the Mortgage, unless the Servicer collects Reserves for insurance in accordance with Section 31.2(c).

**31.3 Blanket or Master Insurance Policies (~~06/27/19~~05/22/25)**

Freddie Mac permits Blanket or Master Insurance ~~policies~~Policies that insure multiple properties, including the Property and other properties that may or may not be encumbered by Mortgages purchased by Freddie Mac, provided that:

- The insurance documentation clearly identifies the complete street address of the Property;
- All properties insured on the blanket policy have common ownership by a single borrower, sponsor or parent company, or are managed by the same property management company on behalf of the Borrower; and
- The policy complies with all other applicable insurance requirements in this chapter.



The Seller/Servicer must, to its satisfaction, determine, support and document in the Mortgage File that any Blanket Insurance Limits provide adequate coverage relevant to the risks associated with the Property covered by the limits.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's Blanket Insurance Limits, including geographic concentrations of ~~insurable value~~ Insurable Value, such as adjacent or nearby properties covered by the same limits, and with respect to any peril applicable to the Property. The Seller/Servicer must collect appropriate documentation such as Schedules of Value, evidence of insurance coverage or insurance policies, portfolio risk modeling results, and other relevant information the Seller/Servicer deems necessary to complete its analysis. Other relevant information may include property addresses, number of buildings and stories, building RCV, business income/rental value, business personal property (if any), whether there are buildings located in a SFHA requiring flood coverage, whether a property is located in an Elevated Seismic Hazard Region as defined in Section 64.2 or Section 64SBL.2, as applicable.

Freddie Mac recognizes that some Borrowers purchase property insurance through large programs that insure entities and properties that do not share a common ownership with the Borrower. Freddie Mac perceives additional risk in the Blanket Insurance ~~policies~~ Policies for these properties and encourages the Seller/Servicer to carefully analyze these policies to determine if the Property and other Properties encumbered by a Freddie Mac Mortgage are adequately insured.



31.4 Acceptable insurers (01/01/1305/22/25)

Each insurance carrier providing property damage and/or liability insurance, whether admitted or non-admitted, must comply with the minimum rating requirements below based on the carrier’s aggregate exposure as follows:

INSURANCE CARRIER RATINGS AND FINANCIAL SIZE CATEGORIES					
Aggregate Carrier Exposure	Minimum A.M. Best Financial Strength Rating	AND	Minimum A.M. Best Financial Size Category	OR	Minimum Rating from: Fitch Inc., Standard & Poor’s Rating Services, or Moody’s Investors Service Inc.
≤ \$5 million	A-	AND	VII	OR	<ul style="list-style-type: none"><li>• A- by Fitch Inc., or</li><li>• A- by Standard &amp; Poors Ratings Services, or</li><li>• A3 by Moody’s Investors Service Inc.</li></ul>
> \$5 million & ≤ \$25 million	A-	AND	VIII		
> \$25 million	A-	AND	IX		

Insurance carrier rating requirements and minimum financial size categories are based on the aggregate carrier exposure, which is defined in the chart below.

Aggregate Carrier Exposure (for each individual carrier)		
Insurance type		Aggregate Carrier Exposure
Property damage insurance	Specific Insurance <u>Limit</u> or policy for one Property	Required building coverage limits + required Business Income/Rental Value Insurance
	Blanket Insurance <u>Policy</u> or <del>master program</del> <u>Master Insurance Policy</u> from one carrier	Blanket Insurance <u>Limit</u> or <del>master program</del> <u>Master Insurance Policy</u> limit
	An individual policy, Blanket Insurance <u>Policy</u> or <del>master program</del> <u>Master Insurance Policy</u> with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates
Liability insurance	Specific Insurance <u>Limit</u> or policy for one Property	Total aggregate limits (general liability + excess/umbrella)
	Liability insurance for multiple properties, or <del>master program</del> <u>Master Insurance Policy</u> from one carrier	Total aggregate limits (general liability + excess/umbrella)



Aggregate Carrier Exposure (for each individual carrier)		
Insurance type		Aggregate Carrier Exposure
	An individual policy, liability insurance policy for multiple properties or <del>master program</del> <u>Master Insurance Policy</u> with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates

### 31.5 Property damage (All-Risk) insurance (~~02/05/22/24~~25)

Property damage insurance is required for all Mortgages to ensure the improvements are protected against loss or damage from fire and other perils covered within the scope of an Insurance Services Office (ISO) Special Causes of Loss or "All Risk" policy form. All-Risk insurance coverage must:

- Be written in an amount not less than 100 percent of the estimated RCV of the improvements without any deduction for depreciation, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount ~~provision~~ Provision. If an Agreed Amount ~~provision~~ Provision is used, the ~~Agreed Amount~~ agreed amount must be no less than the estimated RCV.

In addition, coverage for roof coverings may be written on an Actual Cash Value basis.

Additionally, Freddie Mac recommends that the policy contain a Joint Loss Agreement if Boiler and Machinery ~~insurance~~ insurance is required and the insurance carrier providing Boiler and Machinery insurance is different from the carrier providing property damage insurance.

Freddie Mac also recommends that the policy contain an Inflation Guard endorsement, providing for an annual adjustment of the insurance amount based on that geographic area's inflation rate, or a similar option. (Inflation Guard may not always be available.)

#### a. Property damage (All-Risk) deductible (~~02/22/24~~)

The maximum deductible per occurrence for property damage (All-Risk) insurance policies providing Specific Insurance Limits is:

RCV	Maximum Deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

#### b. Expanded deductible (~~12/14/18~~)

For existing Mortgages, if the Borrower is unable to obtain a policy that complies with the maximum deductibles required by the applicable sections of this chapter, the Servicer may approve the following expanded maximum deductibles for all property damage policies



providing Specific Insurance Limits (other than NFIP, windstorm and earthquake insurance) if all of the conditions below have been met.

Expanded Deductibles	
RCV	Maximum Deductible
< \$10 million	\$100,000
≥ \$10 million	\$150,000

- The Borrower is unable to obtain deductibles for the applicable property damage insurance in compliance with the other applicable sections of this chapter
- The Borrower or Borrower Principal demonstrates liquid assets at least four times the deductible amount
- The Mortgage has a Risk Rating of six or less
- The Mortgage is not currently delinquent and has not been delinquent within the last 12 months
- The Property is in average or better condition according to the most recent inspection

The waiver of the maximum deductible is only valid for one policy term. At the end of that period, if the Borrower has been unable to obtain deductibles in compliance with the other applicable sections of this chapter, the Servicer may permit renewal of the waiver of the maximum deductibles in compliance with this sub-section.

#### c. Blanket All-Risk Insurance Limits (~~06/27/19~~05/22/25)

For policies providing property damage (All-Risk) insurance coverage using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property. In evaluating whether the Blanket All-Risk Limits provide adequate coverage for concentrations of ~~insurable value~~Insurable Value, the Seller Servicer must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

The blanket “All-Risk” limit must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.



**d. Deductible for All-Risk Blanket Insurance Limit (04/30/19)**

The maximum per occurrence deductibles when All-Risk coverage is provided by a Blanket Insurance Limit is one percent per unit of insurance to a maximum of \$250,000.

**31.6 Business Income/Rental Value Insurance (07/01/1405/22/25)**

Business Income/Rental Value Insurance is required for all applicable property damage perils within the scope of the “Causes of Loss – Special Form” or “All Risk” policy, ~~including windstorm, flood, earthquake and terrorism~~, regardless of whether the coverage is provided on an All-Risk or separate policy.

The Business Income/Rental Value Insurance must be sufficient to cover the minimum number of months of effective gross income (EGI) based on underwritten EGI or the most recent year-end financials, and the minimum extended period of indemnity in accordance with the following:

Mortgage unpaid principal balance (UPB)	Minimum number of months EGI	Minimum extended period of indemnity
\$50 million or less	12 months	None required
Greater than \$50 million	18 months	90 days

When considering Business Income/Rental Value Insurance for Cooperative Properties, the calculation of the EGI required must include routine maintenance fees and special assessments for the Property.

Business Income/Rental Value coverage may be provided on an Actual Loss Sustained (ALS) basis (i.e., coverage pays only for the insured’s actual loss of income, up to the overall limit of the policy), provided that any limit associated with the ALS coverage is not less than the equivalent value of the minimum number of months EGI required.

The waiting period (also known as the deductible) for this coverage may not exceed seven days.

**31.7 Windstorm insurance (0205/22/2425)**

Windstorm insurance refers to coverage for damages caused by high winds, hail, tornados, and hurricane-force winds (“Named Storm”). If coverage for windstorm and/or windstorm related perils and/or Named Storms is excluded from the primary property insurance policy, separate windstorm coverage must be obtained, either through an endorsement or a separate policy.

**a. Wind/hail coverage (04/30/19)**

Wind/hail coverage must meet the requirements identified in Sections 31.5 and 31.6, with the exception of deductibles.

**b. Wind/hail deductibles (02/22/24)**

The maximum per-occurrence deductible when wind/hail coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance

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- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

The maximum per-occurrence deductible when wind/hail coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance
- When expressed as a dollar amount, \$250,000

c. **Named Storm coverage** (04/30/1905/22/25)

For all properties located in Tier 1 Windstorm Risk counties, as defined by the insurer, Named Storm coverage must meet the requirements in Sections 31.5 and 31.6, with the exception of deductibles.

If Named Storm coverage is provided as part of a Blanket Insurance Limit, the Seller/Service must determine, to its satisfaction, that the blanket Named Storm limits are adequate for the Property and any concentrations of ~~insurable value~~ Insurable Value associated with other properties covered.

The Blanket Insurance Limit for Named Storm may not be less than the greater of the following:

- The largest individual TIV of properties covered by the Blanket Insurance Limit, or
- 40 percent of the aggregate TIV within any State covered by the Blanket Insurance Limit (e.g., if the Blanket Insurance Limit covers properties in both Florida and Texas, then for Florida, 40 percent of the aggregate TIV of all properties within Tier 1 Windstorm Risk counties in Florida covered by the policy; for Texas, 40 percent of aggregate TIV of all properties in Texas covered by the policy that are located in Tier 1 Windstorm Risk counties in Texas).

d. **Named Storm deductibles** (02/22/24)

The maximum per-occurrence deductible when Named Storm coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< \$10 million	\$50,000



≥ \$10 million	\$100,000
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The maximum per-occurrence deductible when Named Storm coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount, \$250,000.

**e. Windstorm insurance through a State Windpool (12/14/1805/22/25)**

If windstorm coverage is only available from a State Windpool, the policy must meet the requirements in 1, 2, or 3 below:

1. If the policy issued by the State Windpool does not contain a Coinsurance Clause, the policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation.
2. If the policy issued by the State Windpool contains a Coinsurance Clause that is offset or suspended by an Agreed Amount ~~provision~~Provision:
  - The policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation, and
  - The ~~Agreed Amount~~agreed amount must equal the estimated RCV.
3. If the policy issued by the State Windpool contains a Coinsurance Clause that is not offset or suspended by an Agreed Amount ~~provision~~Provision, then all of following are required:
  - The policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation.
  - The RCV estimate must meet the requirements of the Guide.
  - The Servicer must document in the Mortgage File that there is a RCV estimate dated within 12 months of the request for ~~Coinsurance~~coinsurance.
  - The policy must contain a Coinsurance Clause less than or equal to 80 percent.

In addition, the guarantor must sign an additional guaranty for any losses incurred by Freddie Mac associated with the Borrower’s failure to maintain the required Windstorm Coverage.

If the Business Income/Rental Value Insurance required in Section 31.6 is not included in the State Windpool insurance policy, the Borrower must obtain separate Business Income/Rental Value Insurance relevant to Windstorm Coverage.



### 31.8 Flood insurance (02/2705/22/25)

Flood insurance is required for any building that is part of the Property that is fully or partially located in a SFHA Zone A or V, as defined by FEMA.

Specific coverage requirements are identified below; however, the Seller/Servicer must ensure the coverage meets the minimum mandatory purchase requirements identified in the following Federal flood insurance statutes, as well as any applicable Federal agency rulemaking and publication:

- National Flood Insurance Act of 1968 (1968 Act)
- Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert Waters)
- Flood Disaster Protection Act of 1973 (FDPA)
- Homeowner Flood Insurance Affordability Act of 2014

Freddie Mac may require flood insurance for buildings located outside of a SFHA Zone A or V, if it determines that flood insurance is warranted, such as for buildings with a history of prior flooding or subject to risk of storm surge flooding.

#### a. Flood zone determination (02/27/25)

Seller/Servicers must determine whether any buildings located at the Property are or will be fully or partially located in a SFHA, using the [FEMA Standard Flood Hazard Determination Form \(SFHDF\)](#). Seller/Servicers must ensure that all structures at the Property will be evaluated when ordering the SFHDF. In addition to the Property address listed in the Collateral Description of the SFHDF, Seller/Servicers must provide to the vendor supplemental information such as the Property's legal description or parcel descriptions. The resulting SFHDF and any subsequent versions, must be effective for the life of the related loan. A copy of the SFHDF along with a signed copy of the Notice to the Borrower of Special Flood Hazard and Federal Assistance must be included in the Mortgage File.

Any Property that has buildings located in a SFHA but is located in a community that does not participate in the National Flood Insurance Program (NFIP), is not eligible for sale to Freddie Mac, regardless of whether private flood insurance is available.

#### b. Flood coverage requirements (02/2705/22/25)

For each building that is fully or partially located in a SFHA, Freddie Mac requires flood insurance equal to at least the following:

- The RCV of the first two floors of the building above grade, plus
- The RCV of any floors below grade, plus
- 12 months of business income/rental value associated with the building, and
- The ~~insurable value~~ [Insurable Value](#) of Borrower-owned contents or business personal property within the building.





The above coverage requirements can be met by obtaining flood insurance from private flood insurers or from insurers providing policies under the NFIP, or any combination thereof. Policies issued by private flood insurers must meet the minimum requirements for Acceptable Insurers identified in Section 31.3. Policies issued by insurers participating in the NFIP, as well as those insurers authorized to participate in the NFIP's Write Your Own program, are acceptable.

Contents or business personal property generally includes equipment and inventory owned by the Borrower which are used in connection with the ownership, management or operation of the Property that do not otherwise constitute fixtures. Seller/Service providers are responsible for having a process in place to obtain inventory and the ~~insurable value~~ Insurable Value of Borrower-owned contents or business personal property within buildings located in SFHAs in order to determine the required coverage. Seller/Service providers must provide documentation of the presence or absence of borrower-owned contents or business personal property within the building in the Mortgage file. Seller/Service providers must also provide a summary of the estimated building and business income/rental value coverage amounts required for each building located in a SFHA as an attachment within the ICT record.

Private flood insurance policies must:

- Be written on a RCV basis without any deduction for depreciation,
- Provide coverage and terms at least as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP private flood insurance policies, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount ~~provision~~ Provision. If an Agreed Amount ~~provision~~ Provision is used, the ~~Agreed Amount~~ agreed amount must be no less than the estimated RCV.

When an NFIP policy is used, the Seller/Service provider must consider the extent of recovery allowed under the NFIP policy for the type of building being insured in order to avoid creating a situation in which a Borrower would pay for more coverage than a NFIP policy would pay out in the event of a loss.

Freddie Mac does not require flood insurance for low-value, non-residential structures located in a SFHA that meet the exemption provisions of HFIAA. Such structures include maintenance buildings, storage sheds, pool houses, carports, laundry buildings, and gatehouses.

#### c. Flood coverage provided by Blanket Insurance Limit (~~12/14/18~~ 05/22/25)

Blanket Insurance Limits providing private flood insurance for multiple properties are acceptable. The Seller/Service provider must evaluate concentrations of ~~insurable value~~ Insurable Value associated with properties covered by a Blanket Insurance Limit for flood resulting from adjacent properties and properties within the same MSA of the Property. The Blanket Insurance Limit providing flood coverage must be no less than the greater of the following:

- The largest individual amount of flood insurance that would be required under the terms of the Guide for any property with buildings located in an SFHA within the Property's MSA covered by the Blanket Insurance Limit for flood coverage, or



- 40 percent of the aggregate amount of flood insurance that would be required under the terms of the Guide for properties with buildings located in an SFHA within the Property's MSA that are covered by the Blanket Insurance Limit for flood coverage.

The Seller/Serviceicer must obtain and review sufficient information to evaluate the Borrower's portfolio of flood risk covered by the Blanket Insurance ~~flood limits. In order to evaluate the Blanket Insurance~~ Limit for flood coverage ~~required above. In order to evaluate this~~, the Seller/Serviceicer should consider the following information from the Borrower related to buildings within the Property's MSA that are located in SFHAs:

- Property location (address)
- Number of stories
- Building type (Residential, Other Residential, Non-Residential)
- Building RCV
- Building Business Income/Rental Value (BI/RV)
- Borrower-owned business personal property value
- NFIP limits in place
- Other coverage limits (excess flood) in place

The Seller Serviceicer may also need the following information to estimate values required for evaluation of the Blanket Insurance Limit for flood coverage:

- Total building RCV for each property
- Total BI/RV for each property
- Total number of buildings at each property
- Number of buildings at each property that are located in a SFHA

#### **d. Maximum deductible for flood insurance (12/14/18)**

The following are maximum deductibles allowed for flood insurance policies:

For first-layer building coverage:

- \$50,000 per building for a Property with 10 buildings or less located in SFHAs
- \$500,000 per occurrence for a Property with more than 10 buildings located in SFHAs

For Business Income/Rental Value coverage:

- 15 day waiting period when expressed as a time-elements deductible
- \$100,000 per occurrence when expressed as a monetary deductible

When NFIP policies are used as part of the coverage, the maximum deductible available under the NFIP for the type of building being insured is acceptable.

#### **e. Seller/Serviceicer monitoring responsibilities (05/07/07)**

The Seller/Serviceicer must have a process in place that allows it to:



- Identify any FEMA NFIP map changes, and
- Determine whether buildings that are part of any Property in a community affected by a map change are now located in, or are no longer located in, an SFHA as a result of the map change

**f. Evaluating the need for flood insurance coverage (12/15/22)**

**1. No change in the flood map, the Property remains in an SFHA**

If all or any of the buildings that are part of the Property were previously in an SFHA and remain in an SFHA, flood insurance must remain in force.

**2. Change in the flood map, the Property is now in an SFHA**

If all or any of the buildings that were not previously in an SFHA are now in an SFHA, Freddie Mac requires the Property to be covered by the required amount of flood insurance no later than 120 days after the effective date of the FEMA NFIP map change. Flood insurance may be obtained from NFIP and/or a private insurance company meeting Freddie Mac's requirements.

**3. Documentation required for coverage discontinuation**

Freddie Mac will not require flood insurance for buildings at a Property that are no longer in an SFHA if the Servicer receives any one of the following:

- Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire Property from the SFHA, or
- Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation, or
- Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA

The Borrower must maintain flood insurance on the insurable improvements until FEMA issues a LOMA, LOMR or LODR. Upon issuance of a LOMA, LOMR or LODR, the Borrower may request from FEMA a refund of paid flood insurance premiums through the insurance agent servicing the flood insurance policy. A copy of the LOMA, LOMR or LODR, as applicable, must be maintained in the Mortgage File.

Within 10 days of authorizing the Borrower to discontinue flood insurance coverage, the Servicer must give written notice to Freddie Mac by emailing [MF\\_Insurance\\_Compliance@FreddieMac.com](mailto:MF_Insurance_Compliance@FreddieMac.com) noting the property name, loan number, and the changes. The Servicer must also complete and submit a Summary Update record in ICT with documentation including a copy of the LODR, LOMA, or LOMR and any other applicable documentation.



## 31.9 Earthquake insurance (12/15/22)

### a. Earthquake terms used in this chapter (12/15/22)

These terms, when used in this chapter, have the following meanings:

- **Seismic Risk Assessment (SRA)**

The Seismic Risk Assessment (SRA) uses modeling techniques to assess the risk to a Property from seismic events. It takes into consideration proximity to known faults, construction type and quality, building configuration, soil condition and other factors. See Chapter 64 or Chapter 64SBL, as applicable, for Freddie Mac's requirements for an SRA.

- **Scenario Expected Loss-475 (SEL-475)**

The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. For additional details regarding the determination of the SEL-475, see Section 64.8 or Section 64SBL.8, as applicable.

For the purposes of this chapter, the term SEL-475 is used instead of the older term Probable Maximum Loss (PML).

### b. Earthquake insurance requirements (12/15/22)

In accordance with Chapter 64 or Chapter 64SBL, as applicable, Freddie Mac requires an SRA at the Borrower's expense for a Property located in an Elevated Seismic Hazard Region. For Properties where multiple building construction types are present (for example, Properties that have buildings with and without tuck-under parking), a SEL-475 estimate is required for each building construction type. If any single building has a SEL-475 greater than 20 percent, then earthquake insurance or seismic retrofit is required for that building.

#### 1. Required earthquake coverage

Earthquake insurance is required per the table below:

SEL-475	Building Stability Concern*	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% & ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac

> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration
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**\*See Section 64.9 or Section 64SBL.9, as applicable, for Freddie Mac’s requirements for the evaluation of building stability.**

For a Property or buildings for which Freddie Mac requires earthquake insurance, the coverage must be the greater of \$1 million or 150 percent of the difference between the projected loss for the Property or buildings using the actual SEL-475 and the projected loss of the 20 percent SEL-475.

Business Income/Rental Value Insurance and Ordinance and Law coverage is required if the earthquake insurance does not provide that coverage for earthquake damage.

**2. Maximum deductible**

The maximum deductible for earthquake insurance is as follows:

Borrower Equity	Maximum Deductible (a reserve account is required for certain deductibles)	Reserve Account
≤ 30 percent	5 percent of coverage	Not required
≤ 30 percent	10 percent of coverage	Required for 5 percent of the coverage amount
≤ 30 percent	15 percent of coverage	Required for 10 percent of the coverage amount
> 30 percent	15 percent of coverage	Not required

**3. Seismic risk changes subsequent to Freddie Mac’s purchase of the Mortgage**

The requirements of this section apply to Mortgages that have been purchased by Freddie Mac.

**a. Updates to the National Seismic Hazard Maps**

If the United States Geological Survey (USGS) updates the National Seismic Hazard Maps data on its website such that a Property previously not located in an Elevated Seismic Hazard Region subsequently has a PGA (as calculated via the USGS website) equal to or greater than 0.15g, the Seller/Servicer must, within 60 days of the USGS update

- Obtain an updated PGA calculation in accordance with Section 64.2(b) or Section 64SBL.2(b), as applicable
- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable



- Submit the seismic risk documentation described in Section 55.2 or Section 55SBL.2, as applicable, to *Multifamily Asset Management, Asset Performance and Compliance*

The Servicer must retain all such documentation in the Mortgage File. In addition, the engineer or firm completing the SRA must send a resume or statement of qualification with the completed SRA. Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* will determine if and/or how much earthquake insurance is required.

If the USGS updates the National Seismic Hazard Maps data on its website such that a Property previously located in an Elevated Seismic Hazard Region now has a PGA less than 0.15g, and earthquake coverage was required based on the results of the previous SRA, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce that earthquake coverage.

The Seller/Servicer must document the updated PGA calculation described in Section 64.2(b) or Section 64SBL.2(b), as applicable, and submit the documentation to Freddie Mac via the Property Reporting System (PRS) in order to request permission from Freddie Mac to discontinue or reduce earthquake insurance.

Closure of the Loan Item Tracking entry for the PGA calculation documentation will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such evidence in the Mortgage File.

**b. After a Property undergoes seismic retrofit**

If a Property undergoes a seismic retrofit that results in a SEL-475 of less than or equal to 20 percent and addresses building stability concerns, if applicable, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce the earthquake coverage.

The Seller/Servicer must:

- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Upload the SRA documentation for the related Loan Item Tracking (LIT) entry via the Property Reporting System (PRS) and select "Send to Freddie Mac"
- Freddie Mac will review the SRA and close the Loan Item Tracking entry if the SRA confirms that the SEL -475 is less than or equal to 20 percent and there are no building stability concerns, if applicable
- Closure of the Loan Item Tracking entry for the SRA will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such documentation in the Mortgage File.





### 31.10 Boiler and Machinery insurance (02/05/22/24/25)

Boiler and Machinery insurance provides coverage for damage to the:

- Central heating, ventilation and cooling system (HVAC)
- Other portions of the Property, if the damage is the result of an explosion of steam boilers, pressure vessels and/or other steam equipment

Freddie Mac requires comprehensive Boiler and Machinery insurance for a Property with a central HVAC system where steam boilers and/or other pressurized systems are in operation and are regulated by the State where the Property is located. The insurance must cover loss or damage from explosion of steam boilers, pressure vessels and/or other steam equipment now or installed at a later date.

Coverage for Boiler and Machinery insurance must be in place for the buildings housing the central HVAC system, including the RCV of the central HVAC system and must meet the requirements in Sections 31.5 and 31.6. If the Boiler and Machinery insurance is provided by a different insurance carrier than the primary insurance carrier providing the property damage policy, Freddie Mac recommends that both policies include a Joint Loss Agreement.

The maximum per occurrence deductible for Boiler and Machinery ~~insurance~~ insurance is

- For a policy providing Specific Insurance Limits:

RCV of the Property	Maximum per occurrence deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties to a maximum deductible of \$250,000.

### 31.11 Builder's Risk insurance (02/22/24)

The term Builder's Risk insurance, when used in this chapter, means a policy that insures against loss to buildings, materials, equipment and fixtures during construction, rehabilitation, addition, significant alteration or repair. Freddie Mac requires such construction projects to be fully insured in accordance with the requirements of this Chapter 31. If insurance for such projects is not provided by the Borrower's primary property insurance policies, a separate Builder's Risk policy is required.

Coverage must be for at least 100 percent of the sum of the project contract or contracts and all materials to complete the work, as well as applicable soft costs.

Once construction is complete, Builder's Risk coverage may be discontinued.





The maximum per occurrence deductible for Builder's Risk insurance is

- For a policy providing Specific Insurance Limits:

Total Project Value	Maximum per occurrence deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties, to a maximum deductible of \$250,000.

### 31.12 Ordinance and Law insurance (07/01/1405/22/25)

Ordinance and Law coverage is not required for any property that is legally conforming under current building, zoning or land use laws.

Ordinance and Law coverage is required for any property that is non-conforming under current building, zoning or land use laws or ordinances unless the municipality or other governing authority will permit the Property to be rebuilt 100 percent to the specifications of the Property that existed at the time of the loss. The Seller/Service must provide evidence of 100 percent rebuild allowance to Freddie Mac to demonstrate the coverage is not required.

If the zoning law rebuild allowance is restricted to less than 12 months under which the reconstruction must be under permit or construction, then Ordinance and Law coverage is required.

If required, Ordinance and Law coverage must include the following:

- Coverage "A" – Loss to the undamaged portion of the Property:** Coverage no less than the estimated ~~Replacement Cost Value (RCV)~~ RCV of the Property; provided, however, if the damage threshold percentage of the zoning laws is known, the minimum for coverage A may be determined as follows:

Minimum for Coverage "A" = (RCV – (RCV X damage threshold percentage))

For example:

- If the RCV of the Property is \$20 million and the damage threshold percentage is 60 percent, the Coverage "A" limit must be at least \$8 million (\$20 million – (\$20 million X 60 percent) = \$8 million).
- If the damage threshold percentage is unknown, the minimum coverage must be no less than the estimated RCV of the Property, which is \$20 million in this example.

- Coverage "B" – Demolition cost:** The cost to demolish and clear the site of undamaged parts of the Property if such demolition is required by enforcement of any zoning laws. Coverage "B" must equal no less than 10 percent of the estimated RCV of the Property.



- c. **Coverage “C” – Construction cost:** Increased cost of construction to allow the Borrower to rebuild the Property to meet all applicable zoning laws. Coverage “C” must equal no less than 10 percent of the estimated RCV of the Property.

Ordinance and Law Coverage must include an Increased Period of Restoration endorsement that extends business income and extra expense coverage to provide additional time to restore operations when delayed due to enforcement of building or zoning laws.

### 31.13 Terrorism insurance (~~06/27/19~~05/22/25)

Terrorism insurance is required for all Mortgages, including those being refinanced, to ensure the improvements are protected against loss or damage due to acts of terrorism. If terrorism coverage is excluded from the primary property insurance policy, separate terrorism coverage must be obtained either through an endorsement or a separate policy.

#### a. Terrorism coverage (05/22/25)

Terrorism coverage must meet all of the following requirements:

- Property damage insurance in an amount and with maximum deductibles in accordance with Section 31.4 and 31.5,
- Business Income/Rental Value Insurance in accordance with Section 31.6, and
- Liability insurance in accordance with Section 31.16 (not including Professional Liability Insurance).

#### a.b. ~~Blanket Terrorism Insurance~~terrorism insurance (05/22/25)

For policies providing terrorism insurance using Blanket Insurance Limits, the Seller/Service must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits for terrorism coverage are adequate for the applicable risks. In evaluating whether the terrorism limits provide adequate coverage for concentrations of ~~insurable value~~Insurable Value, the Seller Service must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller Service must maintain a copy of its blanket-limit analysis in the associated loan file.

The ~~blanket~~Blanket Insurance Limit for terrorism ~~limit~~insurance must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.



### 31.14 Localized ~~perils~~ Perils insurance (02/05/22/24/25)

A Property located in an area prone to ~~localized perils~~ Localized Perils, such as sinkhole, mine subsidence, volcanic eruption, and avalanche, must have one or more insurance policies in place to cover these perils. Sinkholes are particularly common in Florida. Mine subsidence may occur in any location where there is, or has been, subterranean mining, but is particularly common in Pennsylvania, Ohio, Illinois and Colorado.

If this insurance is not available and the Property is at risk for one or more of these perils, the Seller/Service must inform, as applicable,

- The *Applicable Freddie Mac Multifamily Regional Office*,
- The *Multifamily TAH Underwriter*, or
- Freddie Mac Multifamily Asset Management, Borrower Transactions.

Coverage must meet the requirements in Sections 31.5 and 31.6 for the buildings affected by the ~~localized peril~~ Localized Peril.

The maximum deductible for ~~localized perils~~ Localized Perils insurance is:

- For a policy providing Specific Insurance Limits:

RCV of the Property	Maximum Deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties, to a maximum deductible of \$250,000.

### 31.15 Sewer and drain insurance (01/01/13)

If the Property is prone to periodic sewer or drain back-ups caused by ground water, public or private water systems, or public sewers external to the Property, the Seller/Service must require the Borrower to obtain sewer and drain backup insurance.

Coverage and the deductible must be consistent with the coverage obtained by other lenders in the area.

### 31.16 General liability insurance (02/27/05/22/25)

Standard Commercial General Liability (CGL) insurance on an “~~occurrence~~ Occurrence-based” ~~policy form~~ Policy Form insuring against liability resulting from bodily injury, property damage, personal injury, advertising injury and contractual liability is required with no exclusions for claims related to assault and battery, molestation, sexual abuse, animal attacks, or firearms. The policy must cover all of the following on the Property:



- Buildings
- Common areas and elements
- Commercial spaces
- Public ways (roads, driveways, alleys, walks, paths, and other similar areas)
- Home Sites and any Borrower-owned structures at an MHC Property

If the Borrower changes from a ~~“claims-made” policy form~~ Claims Made Policy Form to an ~~“occurrence”-based” policy form~~ Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

**a. Required CGL and umbrella or excess coverage (~~12/15/20~~05/22/25)**

The revisions made to this section announced in the May 22, 2025 Bulletin are effective for all loans under Seller Application on or after June 2, 2025 and insurance policy renewals on or after July 21, 2025.

1. Borrower must maintain primary CGL coverage for:

- \$1 million per occurrence, and
- \$2 million in the general aggregate

If the CGL policy covers multiple locations, Freddie Mac requires that the general aggregate limits apply per location ~~with no aggregate cap.~~

2. In addition, the Borrower must maintain, at a minimum, the following umbrella or excess liability coverage:

Aggregate number of residential units covered	Minimum umbrella or excess liability limits
Up to 250	\$1 million
251 to 500	\$2 million
501 to 1,000	\$3 million
1,001 to 2,000	\$5 million
2,001 to 5,000	\$10 million
5,001 to 10,000	\$15 million
10,001 to 20,000	\$20 million
20,001 to 35,000	\$25 million



Aggregate number of residential units covered	Minimum umbrella or excess liability limits
More than 35,000	\$50 million

~~If the CGL layer includes an aggregate limit cap, then additional umbrella/excess liability limits above the minimum amount required must be contemplated to determine whether the liability coverage adequately addresses the casualty risk for the insured portfolio.~~

The minimum coverage limits in this section are to be evaluated based upon the aggregate number of residential units covered by the umbrella and/or excess liability policy, and may be satisfied with any combination of primary CGL, umbrella and/or excess.

**b. Maximum deductible and Self-Insured Retention (SIR) for liability insurance (12/15/20)**

The following maximum deductible or SIR, or combined deductible and SIR, apply to all forms of general liability insurance on the Property, including CGL, umbrella and/or excess policies:

- \$35,000 for policies with individual or combined mortgage balances less than or equal to \$25 million
- \$50,000 for policies with individual or combined mortgage balances greater than \$25 million
- \$250,000 for Blanket Insurance Limits
- \$10,000 for umbrella/excess liability policies

~~**c. Vehicle liability insurance (12/14/23)**~~

**c. Workers Compensation (05/22/25)**

The revisions made to this section announced in the May 22, 2025 Bulletin are effective for all loans under Seller Application on or after June 2, 2025 and insurance policy renewals on or after July 21, 2025.

The Borrower must maintain ~~commercial auto liability~~ Workers Compensation and Employer Liability insurance ~~for vehicles owned, hired, or used~~ (including terrorism coverage) if required by ~~anyone for business at~~ the State where the Property ~~is located~~. The ~~commercial auto liability insurance coverage amounts~~ must be at least \$1 million per accident ~~meet~~ Statutory limits.



### 31.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (~~12/15/20~~05/22/25)

#### a. Professional liability (PL) insurance requirements (~~12/15/20~~05/22/25)

The revisions made to this section announced in the May 22, 2025 Bulletin are effective for all loans under Seller Application on or after June 2, 2025 and insurance policy renewals on or after July 21, 2025.

If the Property has assisted living, Alzheimer's care, and/or skilled nursing units, the Borrower must obtain professional liability insurance.

The professional liability policy may be written on a ~~"claims-made" policy form~~ Claims Made Policy Form or an ~~"occurrence~~ Occurrence-based" ~~policy form~~ Policy Form. If the Borrower changes from a ~~"claims-made" policy form~~ Claims Made Policy Form to an ~~"occurrence~~ Occurrence-based" ~~policy form~~ Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

1. Borrower must maintain primary professional liability coverage of:

- \$1 million per occurrence
- \$2 million in the general aggregate

If the professional liability policy covers multiple locations, Freddie Mac requires that the aggregate limits apply per location ~~with no aggregate cap~~.

2. In addition, the Borrower must maintain the following minimum umbrella or excess professional liability coverage:

Total number of licensed beds covered by the policy	Minimum Umbrella/Excess Coverage
Less than or equal to 100	\$1 million
101 to 500	\$5 million
501 to 1,000	\$10 million
Greater than 1,000	\$25 million

~~If the primary PL layer includes an aggregate limit cap, then additional umbrella/excess liability limits above the minimum amount required must be contemplated to determine whether the liability coverage adequately addresses the casualty risk for the insured portfolio.~~

The minimum coverage limits in this section may be satisfied with any combination of primary PL, umbrella and/or excess. If CGL and PL insurance coverages are combined, the required umbrella and/or excess liability limit is the higher of the two requirements.

**a.b. Additional insured (01/01/13)**

Freddie Mac may not be named as an additional insured on professional liability insurance policies.

**b.c. Deductibles and self-insured retention (SIR) (12/15/20)**

Freddie Mac allows the following maximum deductible or SIR, or combined deductible and SIR for Professional Liability:

- \$100,000 for policies that insure 500 or fewer licensed beds
- \$250,000 for policies that insure more than 500 licensed beds

**31.18 Cooperative (Co-op) Requirements (01/01/13)****a. Fidelity bond/crime insurance coverage (01/01/13)**

The Seller/Servicer must ensure that each Co-op Borrower maintains fidelity bond/crime insurance coverage for the Co-op's employees, officers and board members. The minimum coverage required is the greater of

- Two times the monthly gross association fees plus reserves, or six times the monthly gross association fees
- The maximum deductible is \$25,000.

**b. Co-op directors' and officers' liability insurance (01/01/13)**

The Seller/Servicer must ensure that each Co-op maintains directors' and officers' liability insurance as follows:

- Minimum coverage of \$1 million per occurrence
- Maximum deductible of \$25,000

**31.19 Insurance records for origination and Servicing (02/27/25)**

The Seller/Servicer must evaluate the Borrower's property and liability insurance coverage at loan origination and at each policy renewal throughout the term of the Mortgage to determine compliance with the Guide. Seller/Servicers and their vendors must use the ICT to document their assessment of the Borrower's insurance compliance and any recommended waiver requests.

**a. Documentation of Borrower insurance compliance at loan origination (02/17/22)**

Seller/Servicers must complete the [Form 1133, Certification of Borrower Insurance Compliance](#), to document the insurance coverage that is or will be in place at loan closing. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must indicate the noncompliance on the Form 1133 and submit a "New Origination Waiver Request" via the ICT for review and approval.





The Form 1133 and any waiver requests must be submitted via the ICT as follows:

- Form 1133 “Underwriting record”. Seller/Serviceirs must submit the Form 1133 “Underwriting record” with the Full Underwriting Package. This version is a draft of the insurance compliance record that Seller/Serviceirs and their vendors may update throughout the underwriting process.
- New Origination Waiver Requests. Seller/Serviceir must submit any recommended waiver requests with the Full Underwriting Package. All waiver requests must be reviewed and processed final prior to rate lock for Standard Delivery loans and prior to final Acceptance Letter or Modification Letter, as applicable, for Early Rate-Lock loans.
- Form 1133 “Delivery record”. Seller/Serviceirs must submit the Form 1133 “Delivery record” when the final insurance compliance review is complete, but no later than the Origination Date. This version is the final Seller/Serviceir record of insurance compliance.

The Form 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Form 1133 “Delivery record” is processed final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.

**b. Documentation of Borrower insurance compliance for Transfers of Ownership (02/27/25)**

Seller/Serviceirs must complete the [Seller/Serviceir Certification of Insurance Coverage Form \(Assumption Form 1133\)](#), Certification of Borrower Insurance Compliance, to document the insurance coverage that is or will be in place on the Transfer of Ownership closing date. If any element of the Borrower’s insurance coverage is not in compliance with the Guide and the Seller/Serviceir recommends a waiver, the Seller/Serviceir must indicate the noncompliance on the [Assumption 1133](#) and submit an “Assumption Waiver Request” via the ICT for review and approval.

The Assumption 1133 and any waiver requests must be submitted via the ICT as follows:

- Assumption 1133 “Underwriting record”. Seller/Serviceirs must submit the Assumption 1133 “Underwriting record”. The record should be submitted at least 10 Business Days prior to the Transfer closing date.
- Assumption Waiver Requests. Seller/Serviceir must submit any recommended waiver requests at least 10 Business Days prior to the Transfer closing date.
- Assumption 1133 “Delivery record”. Seller/Serviceirs must submit the Assumption 1133 “Delivery record” when the final insurance compliance review is complete, and any Assumption Waivers have been finalized but no later than the Transfer closing date. This version is the final Seller/Serviceir record of insurance compliance.
- Records are to be submitted with MF Borrower Transactions selected as FM Underwriter.



The Assumption 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Assumption 1133 “Delivery record” is processed as final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached evidence of insurance, supporting documents, and public notes is automatically transferred to the Freddie Mac loan file in DMS.

**c. Post-purchase reporting of Borrower insurance compliance (12/14/23)**

For all Mortgages serviced by Seller/Serviceirs on behalf of Freddie Mac, Seller/Serviceirs must evaluate the Borrower’s insurance coverage as policies renew and provide updates to insurance records in ICT as set forth below.

- **Update Summary Function.** The Seller/Serviceir must complete the Update Summary form to identify renewed or changed insurance coverage details, attach updated Evidence of Insurance and other supporting documentation, and submit the “Update Summary.” Once the update has been submitted, a PDF image of the form, along with any attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.
- **Renewal Waivers.** If any element of the Borrower’s insurance coverage is not in compliance with the Guide and the Seller/Serviceir recommends a waiver, the Seller/Serviceir must submit a Renewal Waiver request in ICT for review and approval.

For Mortgages that have been securitized, Seller/Serviceirs are to evaluate coverage as policies renew and follow the processes established by the Master Serviceir for updating coverage information and recommending waivers. Seller/Serviceirs are to use the ICT for processing updated records for loans for which Freddie Mac is Master Serviceir.

**31.20 Evidence of insurance (12/15/22)**

The Seller/Serviceir must obtain temporary or permanent evidence of Borrower’s required property and liability insurance for the closing of new loans and for each renewal. This is applicable to all required insurance policies associated with the Property. After Freddie Mac loan purchase and after each insurance renewal, the Seller/Serviceir must require the Borrower to provide copies of insurance policies in accordance with the Loan Agreement. The Seller/Serviceir must maintain copies of all required evidence of insurance in its loan file.

**a. Temporary evidence of insurance (12/15/22)**

The following are acceptable forms of temporary evidence of property insurance:

- ACORD 28, Evidence of Commercial Property Insurance (most recent version)
- ACORD 27, Evidence of Property Insurance (most recent version)
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- ACORD 75, Insurance Binder
- Declaration pages from Property insurance policy



- Property insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender
- For NFIP flood insurance, NFIP policy declaration page or completed and executed NFIP Flood Insurance Application plus a copy of the paid receipt for the Borrower's premium payment
- For private flood insurance, policy declaration page, copy of flood insurance policy including all endorsements and exclusions, copy of policy binder, or copy of quote of flood insurance that will be in place

The following are acceptable forms of temporary evidence of liability insurance:

- ACORD 25, Certificate of Liability Insurance (most recent version)
- ACORD 75, Insurance Binder
- Liability insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender

**b. Permanent evidence of insurance (12/15/22)**

The following are acceptable forms of permanent evidence of property and liability insurance:

- Copy of the insurance policy(ies), including all endorsements and exclusions
- For insurance programs using layered insurance policies, copy of the primary insurance policy(ies), including all endorsements and exclusions
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- For NFIP flood insurance, NFIP policy declaration page
- For private flood insurance, copy of the flood insurance policy(ies)

**31.21 General requirements applicable to all property and liability insurance documentation (12/17/19)**

The Seller/Servicer must ensure that all of the following elements are included in the evidence of insurance documentation:



- Borrower, Borrower Principal, or affiliated management company as ~~Named Insured~~named insured
- Complete Property address
- Mortgagee and Additional Insured endorsements
- Policy effective dates evidencing current coverage
- Policy notice of cancellation provisions
- Coverage limits, sublimits, and deductibles
- Information clearly stating whether terrorism coverage is included
- If flood insurance is required, information indicating limits and deductibles specifically applicable to buildings located in SFHA

### 31.22 Verification of required and continuing property and liability insurance coverage (12/17/19)

#### a. Required coverage (04/30/19)

The Servicer must ensure that all insurance coverage required by the Purchase and Servicing Documents is in place for the life of the Mortgage. This may include:

- Adding coverage that is not currently in place (for example, FEMA has determined the Property is now in an SFHA and flood insurance is now required), and/or
- Increasing the coverage (for example, the RCV of the improvements on the Property has increased and the insurance coverage must be updated).

In addition, if there is insurance coverage in force on the Property that is no longer required by Freddie Mac (for example, FEMA has determined the Property is no longer in an SFHA and flood insurance is not required) the Servicer must provide the appropriate documentation to notify Freddie Mac *Multifamily Asset Management, Borrower Transactions* and explain that the insurance is no longer required.

#### b. Continuing coverage (12/17/19)

At least annually, and prior to the expiration of each required insurance policy, the Servicer must verify that the Borrower will renew the existing coverage and/or obtain new insurance coverage in compliance with the Purchase and Servicing Documents. The Servicer must retain in the Mortgage File a copy of the applicable renewal and/or new insurance documentation.

The Servicer must require the Borrower to provide evidence of renewed insurance prior to the expiration date of each policy. The documentation required by Freddie Mac at renewal is as follows:



- A legible copy of the current continuation certificate, provided that the Servicer has the original policy on file and the coverage is renewed with the same insurer and under the same policy number(s), coverage terms and conditions
- The documents listed in Sections 31.20(a) and 31.20(b), as applicable

### 31.23 Reserved (12/14/18)

### 31.24 Ensuring continuous insurance coverage (04/30/19)

#### a. General requirements for ensuring continuous insurance coverage (01/01/13)

If the Seller/Servicer determines that a Property's insurance has lapsed, is cancelled, is inadequate, or is not in force for any reason, the Seller/Servicer must prevent a gap in insurance by one or more of the following means:

- Contacting the Borrower and working with the Borrower to resolve the deficiency
- Having in place or obtaining a portfolio insurance policy and/or other insurance vehicle or vehicles designed to provide required coverage if one or more policies lapses, is cancelled, is inadequate or is not in force
- Implementing forced placed insurance

Any insurance policy intended to prevent a gap in insurance coverage, or to supplement inadequate coverage, must:

- Provide retroactive and/or automatic coverage
- Cover the Mortgages serviced for Freddie Mac
- Include deductibles no greater than those required by the Purchase and Servicing Documents
- Provide all property damage and liability insurance required by the Purchase and Servicing Documents
- Be provided by an insurance carrier meeting the requirements of Section 31.3, based on the total unpaid principal balance (UPB) of the Mortgages insured under the policy by the Seller/Servicer

#### b. Forced placed insurance (04/30/19)

Under certain circumstances, Freddie Mac requires the use of forced placed insurance to prevent a lapse in insurance coverage. If the required forced placed insurance is not available, the Seller/Servicer must contact Freddie Mac *Multifamily Asset Management, Borrower Transactions*.



1. If one or more of the following conditions exists, the Seller/Servicer must force place insurance:
  - The required insurance has not yet lapsed or been cancelled, but will lapse within three days (or over an intervening weekend or holiday), and
    - The Servicer determines that the renewal of the existing insurance or new insurance is not forthcoming, or
    - The Servicer has not been able to determine that the renewal of the existing insurance or new insurance is forthcoming
  - Any insurance obtained by the Servicer to prevent a lapse in coverage is no longer in force or will no longer be in force within three days (or over an intervening weekend or holiday)
2. If both of the following conditions exist, the Seller/Servicer must contact the Borrower within two days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
  - The insurance currently in force provides less than 80 percent of the required coverage (see Note below)
  - A lapse in coverage is not imminent

If the issue is not resolved with 15 days, the Servicer must either:

- Force place insurance to the limits required in Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage from Freddie Mac or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

**Note:** The percentage of coverage refers to the actual dollar amount of insurance coverage in force for a Property and not the deductible amounts. For example, if a Property has property damage insurance of \$7 million, but the RCV is \$10 million, the coverage is 70 percent of the required coverage.

3. If one or more of the following conditions exist, the Seller/Servicer must contact the Borrower within five days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
  - The insurance coverage currently in force is greater than 80 percent, but less than 100 percent, of the required coverage (see Note above)





- Deductible amounts do not comply with the requirements
- Any other failure of the insurance policy to be comply with the requirements of the Purchase and Servicing Documents

If the issue is not resolved with 30 days, the Servicer must either:

- Force place insurance to the limits required in the Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. Freddie Mac *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

#### c. Notice to Freddie Mac of forced placed insurance (04/30/19)

If coverage is forced placed as described in 31.24(b), the Servicer must immediately send written notification to Freddie Mac *Multifamily Asset Management, Borrower Transactions* detailing the insurance issues, the forced placed coverage and the deductibles. The Servicer must retain in the Mortgage File a copy of the written notification regarding forced placed insurance.

#### d. Payment for forced placed insurance (04/30/19)

The Servicer must adjust the Borrower's insurance Reserve payments for the forced placed insurance if the Borrower is required to make periodic Reserve deposits for insurance premiums or bill the Borrower to recover the advance (if the Servicer does not maintain an insurance Reserve for the Borrower). If an insurance Reserve account is not currently required, Freddie Mac may require the Servicer to set up a Reserve. If the Borrower refuses to reimburse the Servicer for the forced placed insurance, the Servicer must submit a completed [Legal Referral Form, Form 1101](#), to the Director of Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*. Freddie Mac will reimburse the Servicer for any advances that the Servicer has made for premiums for such forced placed insurance to the same extent that Freddie Mac would reimburse the Servicer for advances to pay required insurance premiums.

### 31.25 Indemnification (07/01/11)

Pursuant to Chapter 47, Freddie Mac may require the Seller/Servicer to indemnify Freddie Mac for any loss, damage or expense it may incur as a result of the Seller/Servicer's failure to:

- Obtain and maintain all insurance required by this chapter, or
- Ensure that each Property is adequately insured as required in this chapter



**31.26 Reserved (06/30/16)****31.27 Captive ~~insurance companies (04/30/19)~~ Insurance Companies (05/22/25)**

For information regarding the use of ~~captive insurance companies~~ Captive Insurance Companies, contact the following:

- Prior to the Origination Date: the *Applicable Regional Office* or the *Multifamily TAH Underwriter*, as applicable
- After the Freddie Mac Funding Date: *Freddie Mac Multifamily Asset Management, Borrower Transactions*

**31.28 Manufactured Housing Communities (07/01/14)**

All MHC Properties must meet the requirements of this Chapter 31.

Generally, any improvements owned by the Borrower must be insured against loss or damage from relevant perils including fire, wind, hail, flood, and other related perils within the scope of a "Special Causes of Loss" or "All Risk" policy, in an amount not less than the RCV of the improvements, per Section 31.4. In addition, the Borrower must carry business income/rental value insurance for all relevant perils in an amount not less than the effective gross income attributable to the Property per Section 31.6.

Properties located partially or fully in a FEMA SFHA must meet the insurance requirements in Section 31.8, especially with regard to full business income/rental value relevant to flood losses.

The Borrower must carry Commercial General Liability (CGL) insurance against legal liability resulting from personal and bodily injury, property damage, and contractual liability, per Section 31.16.

# Multifamily Seller/Service Guide

## Chapter 43

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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:

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- **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 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.freddiemac.com/lenders/reporting](http://mf.freddiemac.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 (09/14/2305/22/25)

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 for which the environmental consultant determined that radon testing was warranted, 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	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).



further action is necessary	
If the environmental consultant determines based on the follow-up test results that remediation is necessary	<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>

#### 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.



The Servicer must periodically and at least monthly screen Borrowers, Borrower Principals, Guarantors, Non-U.S. Equity Holders, and any applicable property management company related to Mortgages that the Servicer services for Freddie Mac against the 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, Non-U.S. Equity Holders, and the property management company against the 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 any Restricted Party List must notify Freddie Mac via an email to the [Multifamily Fraud Investigation Unit](#) within one Business Day of a valid Borrower, Borrower Principal, Guarantor, Non-U.S. Equity Holder, or property management company match. Such email notification must also provide the following information:

- Freddie Mac loan number
- Borrower, Borrower Principal, Guarantor, 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 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 Restricted Party List match and any potential next steps. Freddie Mac may also require the Servicer to provide documentation or additional information regarding the Restricted Party List match.

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.
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 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

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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.

**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.

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.
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

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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.

**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.

**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.

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.



### 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.

#### 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.

#### 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” 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 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.

**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.

**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.

**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.

**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
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.

**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:

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.

**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.

**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.

**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.

**43.32 Infrastructure Agreement Servicing Requests (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

**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 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
- 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 (04/22/25)**

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 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](mailto: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.

# Multifamily Seller/Service Guide

## Chapter 60

### Appraiser and Appraisal Requirements



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  - b. [Sale of other multifamily properties that were subject to ground leases \(04/15/21\)](#)



- c. [Additional data and analysis requirements \(04/15/21\)](#)
- d. [Report documentation \(04/15/21\)](#)



## 60.1 General requirements; Additional Requirements (04/18/2405/22/25)

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 (04/18/2405/22/25)

~~Freddie Mac requires that the Appraisal be in a narrative format.~~ The Appraisal must be ordered:

- In a narrative format
- Ordered by the Seller/Servicer; ~~and it must be completed~~
- 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 will not be accepted.

To support ~~Freddie Mac's~~ the evaluation of the Mortgage loan, ~~Freddie Mac requires that the Appraisal contain~~ must:

- Contain transparent and credible data analysis in a concise but comprehensive report format. ~~It is important that Freddie Mac receive only quality Appraisals and analyses;~~ and
- Be 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.~~ To the extent there is any conflict between the ~~Additional Appraisal Requirements~~ foregoing Memorandum and the requirements of this chapter, the provisions of the foregoing ~~Additional Appraisal Requirements~~ Memorandum govern.

### b. Purpose of Appraisal (04/18/2405/22/25)

Appraisals must ~~estimate~~:

- Estimate the as-is ~~leased fee~~ market value of the Property (~~"leased fee"~~ as of the effective date (see Section 60.9));
- Identify the interests and estate being valued (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.); and~~

- ~~• In addition, for transactions involving affordable housing Mortgages~~Be subject to stated assumptions ~~and Targeted Affordable Housing (TAH) Mortgages, Freddie Mac requires~~limiting conditions as of the additional values effective date.

Note, the leased fee interest should be valued when the Property is subject to tenant-occupant leases (for any length of time) and there is no ground lease. The leasehold interest should be valued if all or part of the Property is subject to a ground lease, whereby the Borrower is the ground lessee. The fee simple interest should be valued when there are no tenant-occupant leases or ground leases in place at the Property.

Although other valuation scenarios may be appropriate for a particular Appraisal as outlined in ~~Section~~Sections 60.24, ~~items 5-8~~ through 60.31, at minimum, all Appraisals must provide the as-is market value.

## 60.2 Appraiser Independence Requirements (~~02/27~~05/22/25)

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:

1. All members of the Seller/Servicer’s Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
2. 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~~05/22/25)

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 and/or appraisal firm 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](https://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~~should 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/Service 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/Service. Appraisers who are staff appraisers of the Seller/Service must be independent of the lending, investment and collection functions of the Seller/Service.

In those instances where the appraiser and/or the appraisal firm is affiliated with or related to the Seller/Service, Appraisals performed for Freddie Mac's Multifamily programs and products must include statements of disclosure from both the Seller/Service 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/Service (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/Service (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/Service 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 (04/22/25)

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 29.1)
- 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 29.4)
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/Servicer'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/Servicer 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/Servicer'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/Servicer 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/Service provider verified the experience information provided by the appraiser to the Seller/Service provider.

Effective as of June 2, 2025, the Seller/Service provider must ensure that any appraisal firm engaged by the Seller/Service provider 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/Service provider must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Service provider identifies a problem area, the Seller/Service provider must take appropriate action to correct the problem. The Seller/Service provider 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/Servicer also must submit all other Appraisals completed on the Property in the past three years, if available to the Seller/Servicer and appropriate under the ethics provision of USPAP. See also Section 60.10.

## 60.10 Revised and updated Appraisals (04/22/25)

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/Servicer 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 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/Serviceicer 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/Serviceicer's Chief Underwriter or Deputy Chief Underwriter, must be submitted with the Appraisal in the underwriting package. The Seller/Serviceicer 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~~05/22/25)

When the Seller/Serviceicer delivers an Appraisal to Freddie Mac, the Seller/Serviceicer is deemed to make the warranties regarding the Appraisal set forth in Section 5.4. The Seller/Serviceicer must review each Appraisal in detail for its completeness, accuracy, appraising logic and adherence to the requirements of this chapter. The Seller/Serviceicer must ensure that the Appraisal submitted to Freddie Mac incorporates corrections and/or resolution of any material errors or omissions found during the Seller/Serviceicer's review of the Appraisal. If required by Freddie Mac, the Seller/Serviceicer 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 05/22/25)**

The inspection requirements for Appraisals are as follows:

~~For additional requirements that are applicable, see the Additional Appraisal Requirements Memorandum, as referenced in Section 60.1(a).~~

1. 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).~~
2. 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 interior inspection must include common areas, community amenities, a sample of unit interiors and commercial suites. The specific units and their unit type (bed/bath count, floor plan name or commercial suite/name) must be identified.





3. Exterior inspection must include residential unit exteriors and any accessible areas that are subject to nonresidential leases as defined in Sections 8.11(a) and 8SBL.11(a).
  4. Any description of completed or ongoing capital improvements or construction at the Property referenced in the appraisal must be visually inspected (if possible) and validated against any evidence provided by the Seller/Servicer. If the appraiser observes any recent or ongoing capital improvements or construction during their inspection, it should be noted and analyzed in the appraisal.
- ~~2.5. Be~~ sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the ~~Appraisal's discussion~~ discussions, analyses, and valuation conclusion. This is important since the Seller/Servicer's delivery of the property condition and environmental reports to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13).

~~1. For Properties with fewer than 25 units, Report~~ the appraiser must inspect:

- ~~• A minimum extent of two units~~
- ~~• All vacant units to determine their state of readiness for occupancy~~
- ~~• All Down Units to determine the appraiser's due diligence 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 describe any physical property condition concerns with the Property's land or improvements observed during the appraiser's inspection of the Property or known to the appraiser.~~

~~3.6. The appraiser must report any known or observed or environmental conditions concerns 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.~~

~~7. 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.~~

~~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 or did not notice any property condition and/or environmental issues concerns and thus has made no observations during their physical inspection of the Property.~~

7. Depending on the Property size, the inspection must meet the following requirements, although the appraiser may inspect more units at their discretion:



<u>Residential Total Units</u>	<u>Residential Unit Inspection Requirements</u>			<u>Commercial Inspection</u>
	<u>Min.<sup>(1)</sup></u>	<u>Down<sup>(2)</sup></u>	<u>Vacant<sup>(3)</sup></u>	
<u>&lt; 25</u>	<u>2</u>	<u>ALL</u>	<u>ALL, up to 5 vacant units</u>	<u>Representative sample; describe level of finish</u>
<u>25 to 50</u>	<u>3</u>	<u>ALL</u>	<u>ALL, up to 5 vacant units</u>	
<u>&gt; 50</u>	<u>5</u>	<u>ALL</u>	<u>ALL, up to 15 vacant units</u>	

(1) The minimum number of residential units that must be inspected. For Properties with more than 50 residential units, at least one unit of each unit type must be inspected and the marketability of each unit type's floor plan, amenities, and level of finish must be discussed.

(2) All down units must be inspected, regardless of the number, to determine and comment on the amount of repairs/renovations necessary to make the units ready for occupancy.

(3) All vacant units must be inspected unless the total number of residential units required for inspection exceeds the specified amount, in which case, the appraiser may sample the vacant units but must state how the sample was selected. The state of readiness for occupancy must be reported for each vacant unit inspected.

Note: These are the minimum inspection requirements, however, the appraiser must use their professional judgement to determine the appropriate number of units to inspect in order to produce credible assignment results.

#### 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/Servicer 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/Servicer's transmittal of the Appraisal to Freddie Mac, the Seller/Servicer must provide the appraiser with the property condition report ordered by the Seller/Servicer 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/Servicer 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)			
<b>Category</b>	<b>Actual</b>	<b>Required</b>	<b>Conforming Status</b>
Current use			
Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
<b>Additional Zoning Compliance Information (if a survey or other materials are available):</b>			
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/Servicer 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~~05/22/25)

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 (04/1805/22/25)**

For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum*, as referenced in Section 60.1(a).

~~For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* available at [mf.freddie.mac.com](http://mf.freddie.mac.com), as referenced in Section 60.1(a).~~

The appraiser must derive the value ~~indicated by the income approach by considering~~ based on the following ~~economic factors~~:



1. ~~The forecasted~~Forecasted gross income must consider historical ~~rents of the Property, and~~ 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 must be provided.

2. ~~The estimated~~Estimated vacancy and collection loss must consider historical ~~data of the Property, and~~ current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.
3. ~~The forecasted~~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~~forecasts must consider future changes in expense or reserve levels.

The identification of the expense comparables must include the following:

- Number of units
- Age (year built and/or renovated)
- Physical condition
- Location and the time period of the expenses

4. 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 must be developed using each of the following (3) techniques, ~~if practicable:~~ Exclusion of any of these techniques must be explained.

- **Extraction from comparable sales with analysis of the comparables' variations**, if any, from the Property's economic and physical characteristics. Capitalization ~~rates~~Rates extracted by pro forma income or with actual income must be reported and reconciled consistently with the appraiser's estimate of the Property's income.
- Personal surveys and interviews with local market participants for insight into the Property's submarket and investment considerations, dated within two months before the effective date of value, including the date of survey (month/year is sufficient) and,



if not confidential, the name, title and company of the individual surveyed. If these items are confidential, the appraiser must provide a description of the position or background of the individual.

- **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~~ If the following techniques are utilized by local market participants, with date of survey and appraiser peers, they should also be included to develop and ~~names/titles of the individuals surveyed.~~ support the Capitalization Rate.

- **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~~ 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~~ 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~~ 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~~ reversionary/terminal capitalization rate, and absorption period.
7. ~~In the Income Approach, the~~ The Property's value can be developed with either a ~~gross income multiplier~~ 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 (04/22/25)**

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 29.1)
7. A survey or recorded plat of the Property, if available (see Section 29.4)
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 Appraisal requirements (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~~Appraisal requirements (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

# Multifamily Seller/Service Guide

## Chapter 61

### Environmental Requirements



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- 61.8 [Prior use \(02/16/23\)](#)
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- c. [Issue resolution by Borrower \(02/16/23\)](#)

61.9 [Neighborhood hazardous waste activity \(02/16/23\)](#)

- a. [Environmental assessment scope of work and environmental report documents \(02/16/23\)](#)
- b. [Issue resolution by environmental consultant \(02/16/23\)](#)

61.10 [Asbestos-containing materials \(ACM\) \(12/14/17\)](#)

- a. [Environmental assessment scope of work \(12/14/17\)](#)
- b. [Environmental assessment protocol \(12/14/17\)](#)
- c. [Issue resolution by environmental consultant \(12/14/17\)](#)
- d. [Issue resolution by Borrower \(12/14/17\)](#)
- e. [Environmental report documents \(05/31/11\)](#)
- f. [O&M program \(12/14/17\)](#)

61.11 [Lead-based paint \(LBP\) \(02/16/23\)](#)

- a. [Environmental assessment scope of work \(02/16/23\)](#)
- b. [Environmental assessment protocol \(09/01/16\)](#)
- c. [Issue resolution by environmental consultant \(02/07/06\)](#)
- d. [Issue resolution by Borrower \(02/16/23\)](#)
- e. [Environmental report documents \(01/31/14\)](#)
- f. [O&M program \(02/07/06\)](#)

61.12 [Drinking water quality \(02/16/23\)](#)

- a. [Environmental assessment scope of work \(02/07/06\)](#)
- b. [Environmental assessment protocol \(06/27/19\)](#)
- c. [Issue resolution by environmental consultant \(02/16/23\)](#)
- d. [Issue resolution by Borrower \(10/14/16\)](#)
- e. [Environmental report documents \(02/07/06\)](#)

61.13 [Mold \(12/14/17\)](#)

- a. [Environmental assessment scope of work \(02/07/06\)](#)
- b. [Environmental assessment protocol \(09/01/16\)](#)
- c. [Issue resolution by environmental consultant \(12/14/17\)](#)
- d. [Issue resolution by Borrower \(12/14/17\)](#)
- e. [Environmental report documents \(02/07/06\)](#)

61.14 [Radon \(~~09/14/23~~05/22/25\)](#)

- a. [Environmental assessment scope of work \(~~02/16/23~~05/22/25\)](#)
- b. [Environmental assessment protocol \(~~02/16/23~~05/22/25\)](#)
- c. [Issue resolution by environmental consultant \(02/16/23\)](#)
- d. [Issue resolution by Borrower \(06/15/23\)](#)
- e. [Environmental report documents \(~~09/14/23~~05/22/25\)](#)

61.15 [Superlien status \(05/31/11\)](#)

61.16 [The Environmental Site Assessment – Form 1103 \(~~02/16/23~~05/22/25\)](#)



- a. [Summary \(12/15/16\)](#)
- b. [Recommendations and O&M programs \(02/16/23\)](#)
- c. [Private Wells, Radon and Attachments \(~~02/16/23~~05/22/25\)](#)
- d. [Unit Inspection and Certification \(12/15/16\)](#)

61.17 [Environmental consultant qualifications and requirements \(02/16/23\)](#)

- a. [Education, training and experience for Non-Scope Issues \(02/16/23\)](#)
- b. [References \(02/16/23\)](#)
- c. [Conflicts of interest/providers of related services \(02/07/06\)](#)
- d. [Insurance \(06/30/16\)](#)
- e. [Unacceptable consultants \(07/01/14\)](#)

61.18 [Mortgage Servicing \(05/31/12\)](#)

61.19 [Representations and warranties \(09/28/18\)](#)



## 61.1 Seller/Servicer environmental responsibilities (02/16/23)

Unless Freddie Mac requires otherwise, SBL Seller/Servicers must refer to Chapter 62SBL, SBL Physical Risk Report Requirements, to obtain the environmental requirements for a Property secured by an SBL Mortgage. Chapter 62SBL will reference this Chapter 61 specifically for any requirements that apply to the completion of the [Form 1104, SBL Physical Risk Report](#).

Seller/Servicers of MHC Mortgages must refer to the specific environmental requirements for Manufactured Housing Communities found in Section 22.6 in addition to the requirements stated in this chapter.

This chapter:

- Sets forth the requirements, duties and responsibilities of the Seller/Servicer, the Borrower and the environmental consultant to evaluate the potential environmental hazards associated with a Property and report this information to Freddie Mac
- Provides information regarding the requirements for conducting an environmental assessment, preparing an environmental report for a Mortgage to be purchased by Freddie Mac, resolving identified risks to qualify for the purchase of the Mortgage, developing operations and maintenance programs, and selecting an environmental consultant

### a. General Seller/Servicer environmental requirements (02/16/23)

The Seller/Servicer must exercise due diligence when evaluating a Property, make appropriate inspections and inquiries to learn its true condition and take responsible actions to manage the risk of loss from environmental hazards. To that end, Freddie Mac requires that the Seller/Servicer retain a qualified environmental consultant and submit an environmental report meeting the requirements of this chapter before Freddie Mac will issue a Letter of Commitment or accept an early rate-lock application to purchase a Mortgage.

### b. Specific Seller/Servicer environmental responsibilities (02/16/23)

For each Property, the Seller/Servicer must:

#### 1. Retain the environmental consultant

The Seller must maintain a separate environmental consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each consultant's performance, as well as the consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower is permitted to pay the cost of all environmental consultant services but may not retain or direct the environmental consultant, unless all of the following conditions are met:

- The transaction is under a Forward Commitment
- The Mortgage is being originated for the purpose of new construction



- The environmental report is submitted to Freddie Mac in the full underwriting package prior to Freddie Mac's issuance of the Forward Commitment
  - The report meets the standards for an environmental assessment as specified in Section 61.2(b)(4) and was prepared no earlier than 12 months prior to the submission of the full underwriting package
2. Obtain an environmental report of the Property prior to delivery of the full underwriting package for all Mortgages as well as prior to Conversion for a Mortgage purchased under a Forward Commitment
  3. Determine that the environmental report meets Freddie Mac's requirements
  4. Disclose if the State where the Property is located has a law that would allow environmental authorities to place a first priority lien on the Property (an "Environmental Superlien Law")

Because an environmental superlien could take precedence over the Mortgage, the Seller/Servicer must highlight the existence of the Environmental Superlien Law when the Seller/Servicer brings to Freddie Mac's attention any conditions that could result in such a lien being imposed on the Property.

5. Disclose to Freddie Mac and the environmental consultant knowledge of any environmental matter that may affect the Property.

For all programs and products, the Seller/Servicer must make this disclosure to the *Applicable Freddie Mac Multifamily Regional Office*. TAH Seller/Servicers must make this disclosure to the *Multifamily TAH Underwriter*.

6. Disclose to the environmental consultant any prior reports describing the environmental condition of the Property
7. Obtain permission of Borrower or property manager to conduct Property inspections
8. Provide copies of the completed environmental report to the appraiser so that the appraiser may appropriately incorporate the environmental condition into the economic evaluation of the Property
9. Ensure the appropriate risk management actions have been undertaken for identified environmental hazards
10. Determine if an operations and maintenance ("O&M") program is required and obtain an O&M program that is acceptable to Freddie Mac
11. Assess the Borrower's ability to successfully execute an O&M program
12. Keep abreast of local health, safety and environmental laws governing the Property



## 61.2 Environmental assessment requirements (02/16/23)

### a. Use of a qualified environmental consultant (02/16/23)

Any environmental assessment and environmental report must be prepared by an environmental consultant who is an “Environmental Professional” as that term is defined in 40 CFR § 312.10 and who meets the qualifications and requirements specified in Section 61.17.

### b. Environmental assessment methodology (02/16/23)

#### 1. Objective

The purpose of the environmental assessment is to identify recognized environmental conditions or other potential sources of environmental liability in connection with the Property.

#### 2. Environmental issues to be evaluated

Each environmental assessment must evaluate conditions and contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which include the following issues (“Scope Issues”):

- a. Hazardous materials (see Section 61.5)
- b. Storage tanks (see Section 61.6)
- c. Polychlorinated biphenyls (PCBs) (see Section 61.7)
- d. Prior use (see Section 61.8)
- e. Neighborhood hazardous waste activity (see Section 61.9)

Each environmental assessment must also include an evaluation of the following potential environmental hazards or issues (“Non-Scope Issues”):

- a. Asbestos-containing materials (ACM) (see Section 61.10)
- b. Lead-based paint (LBP) (see Section 61.11)
- c. Drinking water quality (see Section 61.12)
- d. Mold (see Section 61.13)
- e. Radon (see Section 61.14)
- f. Superlien status (see Section 61.15)

#### 3. Age of environmental report



The environmental report must be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac. Freddie Mac may require that the environmental report be updated if the environmental report is dated more than six months prior to the date that the Letter of Commitment or Acceptance Letter or Modification Letter, as applicable, for an early rate-lock application is issued.

#### 4. Methodology

The methodology for each environmental assessment must follow the requirements set forth in 40 CFR § 312 and ASTM E 1527- 21 for Scope Issues. These include requirements with respect to: records review (Section 8 of ASTM E 1527-21); site reconnaissance (Section 9 of ASTM E 1527-21); interviews (Sections 10 and 11 of ASTM E 1527-21); and reporting (Section 12 of ASTM E 1527-21). Additional requirements for assessing Scope Issues are described in Sections 61.5 through Section 61.9.

The methodology for each environmental assessment must follow the requirements of Sections 61.10 through 61.15 for Non-Scope Issues. At a minimum, the environmental consultant must inspect the following number of units:

- For Properties with less than 100 units, the greater of five units or 10 percent of all units
- For Properties with 100 units or more, the greater of 10 units or five percent of all units
- For Properties with multiple buildings that were constructed over time or in phases, the sampling protocol above applies to each group of buildings that are of similar design and construction and those constructed within the same time period or phase
- Regardless of the minimum sampling noted above, the environmental consultant's inspection must be sufficient to test as required for asbestos, lead-based paint (LBP), mold and radon

In any instance where the environmental consultant determines the need for testing or corrective actions beyond the scope of the minimum requirements set forth in 40 CFR § 312, ASTM E 1527- 21 and Sections 61.5 through 61.14, the Seller/Service must ensure that the scope of the environmental assessment incorporates the consultant's recommendations and is based on the consultant's professional judgment.

Any testing as required in this chapter must be conducted in accordance with applicable local, State and federal regulations and licensing requirements.

Section 61.3 summarizes the reporting requirements for an environmental assessment.

### 61.3 Environmental report requirements (02/16/23)

Each environmental report must follow the report format recommended by, and include the information required in, ASTM E 1527-21 and must also include the information required by Sections 61.5 – 61.15.

Each environmental report must also contain the following additional information:

**a. Findings (02/16/23)**

This portion of the environmental report must:

- Note any regulatory compliance requirements; and
- Advise if any identified environmental hazards are likely to create clean-up liability for the Property owner, or health and safety concerns for the tenants

**b. Recommendations (02/16/23)**

For every environmental hazard that is identified, the environmental consultant must provide a suggested remedy (for example, the removal of the hazard and/or the implementation of an O&M plan) and associated costs, or indicate if further study is needed. If costs cannot be identified without further analysis, the consultant must identify the scope of the analysis recommended as well as the estimated cost of such analysis.

**c. Information to be provided with the report (02/16/23)**

The report appendix must include the resume of the individual who performed the on-site inspection. If a different individual reviews the report, the resume for that individual must be included as well.

**d. Reliance (02/16/23)**

The Seller/Servicer must direct the environmental consultant to include the following language in the environmental report:

“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.”

**e. The Environmental Site Assessment – Form 1103 (02/16/23)**

[Form 1103](#) must be completed and submitted as described in Section 61.16.

**61.4 Acceptability for Mortgage purchase (08/17/23)**

**a. General requirements for acceptability for Mortgage purchase (02/07/06)**

Freddie Mac requires an environmental report for each Property that will act as security for a Mortgage. Both the environmental report and the environmental condition of the Property must be acceptable to Freddie Mac.

The environmental report must identify an appropriate resolution for each identified hazard. If remediation is required, the environmental report must identify the scope of work involved and the estimated cost.

Upon Freddie Mac's review of the completed environmental report, Freddie Mac may impose additional evaluation requirements.

**b. Remediation and retesting (09/01/16)**

If a Property fails to meet the standards set forth in this Chapter 61, the Borrower may, in some cases, be able to correct the deficiency through remedial actions and retesting of the Property. The environmental consultant must advise on, and submit a written endorsement of, the remediation and retesting plan.

1. If the Borrower already owns the Property, the Borrower must complete the remedial action and the Seller/Servicer must confirm its effectiveness before Freddie Mac will issue a Letter of Commitment or accept an early rate-lock application. The remediation must be completed in accordance with all regulatory requirements and good management standards. The Borrower must notify local authorities, if appropriate. In addition, Freddie Mac may require additional remedial actions.



2. Freddie Mac will consider issuing a Letter of Commitment or accepting an early rate-lock application before the completion of remedial work provided that the following conditions are met:
  - The remediation can be completed within 90 days after the Origination Date (or within a timeframe agreeable to Freddie Mac)
  - The environmental consultant, when submitting the written endorsement of the remediation and retesting plan, does each of the following:
    - Identifies how long the remediation will take, given the circumstances of the Property, the scope of the remediation, and the geography and climate at the Property's location
    - States that the work will make the Property eligible under the environmental standards set forth in this chapter
  - The Borrower has signed a fixed-fee contract, with a qualified firm, that provides a clear timeline for completion of the remediation. The Seller/Servicer must establish a Repair Reserve in the amount of at least 125 percent of the gross contract amount, or in the case of an SBL Mortgage, a Repair Reserve of at least 100 percent of the gross contract amount.

When the work is complete, the environmental consultant must state in writing that:

- The work has been satisfactorily completed
- The Property meets the environmental eligibility standards

**c. Operations and maintenance (O&M) program (08/17/23)**

Freddie Mac may, in certain circumstances, purchase a Mortgage secured by a Property that contains certain environmental hazards, provided that the Borrower has or will have in place an acceptable O&M program to manage the risk. If requested, a copy of any required O&M Program must be delivered to Freddie Mac. Throughout the life of the Mortgage, the Borrower must adhere to the O&M program, and the Seller/Servicer must ensure that the Property continues to meet Freddie Mac's requirements.

An O&M program will be developed at the discretion of the environmental consultant for relevant environmental hazards. The O&M program must incorporate Freddie Mac O&M guidelines, as applicable, for underground storage tanks as set forth in Section 61.6, for asbestos-containing materials (ACM) as set forth in Section 61.10 and for lead-based paint (LBP) as set forth in Section 61.11.

The Borrower must identify the costs associated with the O&M program for a Property as a component of the property management costs and/or other operating expenses of the Property. These costs must reflect the need for personnel training, tenant notification, any equipment necessary to implement the program activities and added inspection costs.



The Seller/Service must determine that the O&M program responds to Freddie Mac requirements and that the Borrower is financially and organizationally capable of performing necessary O&M functions.

## **61.5 Hazardous materials (02/16/23)**

### **a. Environmental assessment scope of work (02/16/23)**

The environmental consultant must physically inspect the buildings and grounds of the Property for evidence of potential hazardous material contamination, and document the assessment in the environmental report, pursuant to the requirements of Sections 61.2, 61.3 and this Section 61.5.

### **b. Issue resolution by environmental consultant (02/16/23)**

If the environmental consultant finds evidence of hazardous material contamination, including contamination that exceeds applicable government standards, the environmental report must describe the additional steps needed to remediate the problem and the associated costs.

### **c. Issue resolution by Borrower (02/16/23)**

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

In general, the Borrower must remove documented contamination that exceeds federal or State cleanup standards. The Borrower must report the findings and the remediation actions to the appropriate governmental authorities and must obtain an indication of satisfactory completion from the same authority.

### **d. Environmental report documents (02/16/23)**

The environmental consultant must document and photograph the condition of the storage areas and note the general housekeeping conditions. The environmental consultant must include the documentation, photographs and notes with the environmental report.

## **61.6 Storage tanks (02/16/23)**

### **a. Environmental assessment scope of work (02/16/23)**

The environmental consultant must determine whether above-ground storage tanks (AGTs) or underground storage tanks (USTs) exist or have existed in the past on the Property and whether there is any indication of leaking or prior discharges, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.6.

### **b. Issue resolution by environmental consultant (02/16/23)**

If the environmental consultant discovers a storage tank, the environmental consultant must determine whether the tank is currently in use. Even if the tank is not currently in use, the environmental consultant must determine whether any hazardous material has leaked from the tank.



The environmental consultant must provide sufficient evidence (including a review of historical tightness tests or information on installed release detection systems) to indicate that the tanks on the Property have never leaked, or the environmental consultant must perform subsurface borings to identify potentially contaminated soils associated with the tank. If the tank was installed on or before thirty years from the date of the property inspection and routine tightness tests have been performed, including one within six months of the date of the property inspection, the environmental consultant may recommend against subsurface borings. In lieu of tightness testing, the consultant may also recommend against subsurface borings based on implementation of one or more of the following release detection systems:

1. Secondary containment with interstitial monitoring
2. Automatic tank gauging
3. Continuous in-tank leak detection

All release detection methods must meet applicable federal and State requirements. The consultant must review records indicating that the release detection system has been periodically tested and is operating as intended.

The environmental consultant must determine if an unused tank must be removed or abandoned in place in accordance with applicable federal and State requirements. The environmental report must include as much information as possible to support the decision either to remove or to abandon the tank. This information must include the location, installation date, contents and size of the tank.

#### **c. Issue resolution by Borrower (02/16/23)**

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

Unused underground storage tanks (USTs) must be removed or abandoned in place in accordance with applicable federal, State and local requirements.

For any active UST, the Borrower must obtain a tightness test to assess the stability of the tank vessel and determine if there are any active leaks. The manner of testing must comply with ASTM standards and applicable State law. Freddie Mac may waive the tightness test if an acceptable tightness test has been performed within six months of the date of the property inspection or if an acceptable, documented release detection system is in place in accordance with Section 61.6(b).

The Borrower must monitor and maintain USTs in accordance with an O&M program as defined in Section 61.6(e) as well as the requirements of all federal, State and local authorities.

#### **d. Environmental report documents (04/14/22)**

The environmental consultant must obtain and attach to the environmental report copies of documents relating to compliance with applicable regulations (such as registration, tank tightness test results, records of monthly monitoring and annual testing, records of installation of corrosion protection systems or release detection system documentation).

**e. O&M program (02/16/23)**

For any tank remaining in use, the Borrower must institute an O&M program to provide that the Borrower will:

- Implement precautionary measures prescribed by the environmental consultant to ensure that spills do not occur.
- Complete periodic tightness testing complying with ASTM standards or as required by applicable State law. For all USTs, Freddie Mac requires these tests to be conducted at intervals not to exceed every three years. Tanks that have an acceptable, documented release detection system in place, as defined in Section 61.6(c), can complete periodic testing of the release detection system as required by applicable federal and State law in lieu of periodic tightness testing. The Borrower must report all test results to the Seller/Service and/or Freddie Mac in accordance with the terms of the O&M program.
- Report all material spills to applicable authorities and to Freddie Mac. Timely remediation must be conducted in accordance with requirements imposed by applicable authorities, and cleanup must be achieved such that contaminant concentrations are below federal or State cleanup standards.

All tanks that become inactive must be removed or abandoned in place in accordance with requirements imposed by applicable authorities.

**61.7 Polychlorinated biphenyls (PCBs) (02/16/23)****a. Environmental assessment scope of work (02/16/23)**

The environmental consultant must inspect the Property for equipment that may contain significant amounts of PCBs, such as hydraulic elevators and electrical transformers and capacitors, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.7. Fluorescent light ballasts need not be inspected.

If the environmental consultant finds PCB-containing equipment on the Property, the environmental consultant must determine who owns the PCB-containing equipment and whether the equipment is leaking.

**b. Environmental assessment protocol (02/16/23)**

If there is any equipment on the Property that was manufactured on or before July 2, 1979, and

- The equipment is not owned by a utility, then the environmental consultant must determine the PCB content
- The equipment is owned by a utility, then the environmental consultant must
  - Confirm ownership with the local utility via a documented phone call or a written statement,



- Attempt to determine the PCB content of any equipment, and
- Report to the utility any leaks associated with any equipment that may contain PCBs (documented or unknown)

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**c. Issue resolution by environmental consultant (02/16/23)**

If the environmental consultant finds PCBs in nonutility-owned equipment on the Property at levels requiring action under federal or State law, the consultant must:

- Report PCB spills or leaks to the State or local authorities and identify appropriate cleanup action, in accordance with the Toxic Substance Control Act (TSCA) Spill Cleanup Policy, 40 CFR § 761.120 et seq.
- Make a recommendation as to whether the equipment must be removed or managed in place with an O&M program. Freddie Mac may allow the PCB-containing equipment not owned by a utility to remain on the Property subject to a documented O&M program.

At a minimum, any O&M program for PCBs must include a requirement for frequent visual inspections of each piece of equipment for indications of leakage, an issues log, and appropriate contact information to report detected leaks. The recommendation must be based on the type, size, age, condition, location and ownership of the equipment, as well as any other pertinent factors.

**d. Issue resolution by Borrower (12/14/17)**

The Borrower must remove any equipment as recommended by the environmental consultant. If contamination is documented, the Borrower must remediate the contamination before the Origination Date.

The Borrower must manage in-place any property-owned PCB-containing equipment remaining on the Property, in accordance with an O&M program.

**e. Environmental report documents (02/07/06)**

The environmental consultant must attach to the environmental report any documentation of ownership or PCB content, test results and photographs of representative pieces of leaking equipment.

**61.8 Prior use (02/16/23)**

**a. Environmental assessment scope of work and environmental report documents (02/16/23)**

The environmental consultant must determine the prior uses of the Property, and document the prior uses in the environmental report, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.8.

**b. Issue resolution by environmental consultant (02/16/23)**

The environmental consultant must comment on the following and explain the rationale for the opinion:

- The impact of the prior use on the Property
- The extent to which value or occupancy of the Property could be or has likely been impacted by the prior use

If the environmental consultant discovers or suspects a prior use that suggests the presence of hazardous material contamination of the Property, the environmental consultant must perform appropriate investigation (possibly using soil borings) to determine whether the Property is contaminated. If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**c. Issue resolution by Borrower (02/16/23)**

In general, the Borrower must remove documented contamination that exceeds federal or State cleanup standards. The Borrower must report the findings and remediation actions to the appropriate governmental authorities and must obtain an indication of satisfactory completion from the same authority.

**61.9 Neighborhood hazardous waste activity (02/16/23)****a. Environmental assessment scope of work and environmental report documents (02/16/23)**

The environmental consultant must determine the potential impact on the Property from hazardous waste activities at neighboring Properties, and document such impact in the environmental report, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.9.

**b. Issue resolution by environmental consultant (02/16/23)**

The environmental consultant must determine the compliance status of all sites found and must address significant violations in the findings and results portion of the environmental report.

The environmental consultant must determine from its inspection whether any identified neighborhood site has impacted, or is likely to impact, the Property. In the environmental report, the environmental consultant must detail how the determination was made and must make appropriate recommendations if further action is required. If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**61.10 Asbestos-containing materials (ACM) (12/14/17)****a. Environmental assessment scope of work (12/14/17)**

The environmental consultant must inspect the Property for friable asbestos-containing materials (ACM). The purpose of the inspection is to discover whether significant quantities of ACM were used in the construction of the building or added subsequently and to determine the approximate quantity and condition of such materials.





As discussed in *Guidance for Controlling Asbestos-Containing Materials in Buildings* [U.S. Environmental Protection Agency (EPA), 1985], the environmental consultant must focus particular attention during the inspection on identifying friable ~~asbestos-containing material~~ ACM in pipe and boiler insulation, texture-finished ceiling and wall materials (popcorn type), sprayed- or troweled-on structural coverings, floor and ceiling tiles, dry-wall/sheet rock, joint compound and siding and roofing materials.

Friable ACM (that is, material that releases fibers when subjected to finger pressure) is of greatest concern.

**b. Environmental assessment protocol (12/14/17)**

The environmental consultant must inspect the Property for evidence of ACM, identify the location and condition of any suspect materials and collect samples of materials suspected of containing friable ACM, regardless of location. The opinion that the Property contains no ACM cannot be based on the Property's construction date.

A qualified professional must analyze the samples utilizing polarized light microscopy and dispersion staining. The number and quantity of samples must be sufficient to provide meaningful results, with samples taken throughout the apartment building or complex. If friable ACM is suspected within the residential units, the environmental consultant must take bulk samples from the greater of five units or 10 percent of all units, not to exceed 12 units. However, if undamaged friable ACM is suspected in an encapsulated condition, then a more limited sample may be appropriate, as determined by the consultant. In any case, if undamaged, encapsulated wall and ceiling joint compound is a suspect material, samples of the joint compound need not be taken.

**c. Issue resolution by environmental consultant (12/14/17)**

If friable ACM is found in the interior of the building, the environmental report must specifically state

- Whether an ACM inventory is needed
- Which materials must be removed and the cost of such removal
- Which materials must be repaired and the cost of such repairs

The consultant must substantiate in the environmental report the reason for not removing any friable ACM, and must recommend an O&M program for the friable ACM that the consultant recommends be allowed to remain in place.

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

If previous ACM abatement work was performed improperly, the environmental consultant must identify any resultant contamination.

**d. Issue resolution by Borrower (12/14/17)**

In general, the Borrower must remove all friable ACM, including sprayed-on "popcorn-type" ceiling textures. Undamaged friable ACM may remain in place if the Borrower institutes an O&M program developed by an environmental professional that is acceptable to Freddie Mac, and only if all the following conditions exist:

- The concentration or amount of asbestos in the material must be less than 10 percent by weight.
- The friable ACM must be in good condition as determined by the environmental consultant.
- The friable ACM must be sufficiently covered with paint or other material to help prevent the future release of asbestos into the air.

Non-friable ACM and undamaged, fully encapsulated wall and ceiling joint compound that is assumed to contain asbestos may remain in place. Borrowers must test all suspect materials before any alterations or renovations.

Under most circumstances, before the Origination Date, the Borrower must remove all friable ACM that is required to be removed. Freddie Mac will consider agreeing to removal of the ACM after the Origination Date only under certain circumstances. Examples in which this would be acceptable include qualified ACM abatement/removal firms not being immediately available to remove the ACM, or the extent or location of the ACM in the building does not present an imminent life safety hazard.

In order for the ACM removal to be performed after the Origination Date, the conditions in Section 61.4(b)(2) must be met. In addition, Freddie Mac will require the following:

1. A binding, fixed-fee ACM-removal contract from a qualified ACM abatement/removal firm that provides for the firm to remove the ACM within 90 days after the Origination Date (or within a timeframe agreeable to Freddie Mac), in strict accordance with prudent industry standard practices and all federal, State and local requirements governing the removal, transport and disposition of ACM
2. A Repair Reserve in the amount of at least 125 percent of the cost of removal, or in the case of an SBL Mortgage, a Repair Reserve of at least 100 percent of the gross contract amount
3. Before the funds are released from the Repair Reserve, proper evidence provided by the Borrower to the Seller/Servicer that the ACM removal was performed by properly trained individuals in accordance with prudent industry standard practices and complied with all federal, State and local requirements governing the removal, transport and disposition of ACM

**e. Environmental report documents (05/31/11)**

The environmental report must include tabulations of the type of material tested, exact location of the sample, condition and approximate quantity of the material, and asbestos concentration. If the samples were positive, the environmental report must include photographs of typical



conditions of the areas tested. The environmental consultant must attach a copy of the laboratory analytical report to the environmental report.

If the Borrower undertakes ACM abatement or removal prior to the Origination Date, the Borrower must submit documentation to the Seller providing evidence that the work was performed by properly trained individuals in accordance with prudent industry standard practices and all federal, State and local requirements. For all programs and products, the Seller must submit this documentation to the *Applicable Freddie Mac Multifamily Regional Office*. TAH Seller/Service providers must submit this documentation to the *Multifamily TAH Underwriter*.

**f. O&M program (12/14/17)**

After inspecting and testing a Property for ACM, the environmental consultant may need to develop an asbestos O&M program. The principal objective of an asbestos O&M program is to minimize exposure of building occupants to friable asbestos fibers.

The environmental consultant must develop a specific O&M program for the Property and tailor it to the standard management practices at the Property and the types of ACM present.

An essential component of an ACM O&M program is the appointment of an asbestos program manager, usually a building engineer, superintendent or facilities manager. This person must be properly qualified, through training and experience, and be actively involved in all asbestos-related activities at the Property, including inspections, O&M activities and removal and repair of ACM.

A second key component of an ACM O&M program is an inventory of the ACM. The environmental consultant must record in the O&M program the specific locations of ACM, the condition and the potential for disturbance.

**Standard ACM O&M program requirements**

After the appointment of the asbestos program manager and the completion of the ACM inventory, the Borrower must implement the O&M program. An ACM O&M program must include the following elements:

**1. Notification**

A program to inform workers, tenants and building occupants not to disturb or damage existing ACM

**2. Surveillance**

Regular inspections of the condition of the ACM

**3. Controls**

A permit system or other work control program to control activities that might disturb ACM

**4. Work practices**



Procedures to avoid or minimize fiber release during activities affecting ACM

## 5. Recordkeeping

Documentation of O&M activities

## 6. Worker protection

Medical and respiratory protection programs, as applicable

## 7. Training

Training for the asbestos program manager, custodial and maintenance staff

A United States Environmental Protection Agency (EPA) publication entitled *Managing Asbestos in Place: A Building Owner's Guide to Operations and Maintenance Programs for Asbestos-Containing Materials* (EPA Office of Pesticides and Toxic Substances, TS-799, July 1990, also known as the "Green Book") describes O&M programs in greater detail.

### 61.11 Lead-based paint (LBP) (02/16/23)

#### a. Environmental assessment scope of work (02/16/23)

The environmental consultant is not required to test for LBP in a Property built in 1978 or later.

A Property built before 1978 is considered to contain LBP unless testing proves otherwise. If the Property's original certificate of occupancy or legal equivalent was issued before January 1, 1978, Freddie Mac considers the Property to be built before 1978 (pre-1978 Property).

For a pre-1978 Property, the Borrower may choose to test for LBP or to presume LBP is present and implement an O&M program to manage the hazard in place in accordance with the requirements of Section 61.11(f). Regardless of which course of action the Borrower chooses (testing for LBP or implementing an O&M program), the environmental consultant must comment on the paint condition for all pre-1978 Properties. If the environmental consultant conducts LBP testing, it must do so in accordance with the minimum standards set forth in Section 61.11(b).

All pre-1978 Properties must satisfy applicable federal, State and local LBP laws and ordinances.

#### b. Environmental assessment protocol (09/01/16)

The environmental consultant must follow the testing protocols in this section as a minimum standard and report on the condition of the painted surfaces observed.

The following testing methods are acceptable:

- Use of X-ray fluoroscope (XRF) technology (which indicates a presence of lead exceeding 1.0 mg/cm<sup>2</sup>)



- Approved laboratory analysis of scraping samples (Samples must be sufficient to produce meaningful results.)

The environmental consultant must test a representative sampling of painted surfaces of both the units and the common areas. Suggested surfaces to be tested include:

1. Windows, unless replaced with metal windows having a factory-applied finish
2. Window frames and sills
3. Doors and door frames
4. Painted woodwork
5. Walls
6. Balcony railings
7. Rails in common areas and staircases
8. Other painted surfaces that could be "chewable" to a small child

The required minimum number of samples depends on the size of the Property:

- For a Property with 100 or fewer units, the environmental consultant must take the following samples:
  - Ten common area samples
  - Samples from the greater of 10 percent of the living units or five living units (In each living unit sampled, the environmental consultant must take at least three LBP samples.)
- For a Property with more than 100 units, the environmental consultant must take the following samples:
  - Ten common area samples
  - Samples from the greater of 5 percent of the living units or 10 living units (In each living unit sampled, the environmental consultant must take at least three LBP samples.)

The environmental consultant must take paint samples using the following protocol for the minimum number of samples:

- Entrances/hallways
  - One paint sample from one wall
  - One trim/railing paint sample (floor trim, chair rail or crown moldings or painted railings.)
  - One paint sample from painted floor/step surfaces
  - One paint sample from any fire doors or door trim (Freddie Mac assumes the trim and door are painted with the same material.)



- One paint sample from one painted windowsill (If the windows have been replaced with metal windows with a factory-applied finish, no sampling is necessary.)
- Apartment units
  - One paint sample from the front door or front door trim (Freddie Mac assumes the trim and door are painted with the same material.)
  - One paint sample from one windowsill (If the windows have been replaced with metal windows with a factory-applied finish, no sample testing of the sill is necessary.)
  - One paint sample from a wall surface in each room
  - One paint sample from any surface with evidence of peeling or chipping paint
- Resident community facilities
  - Paint samples from common areas, collected in a manner similar to that of an individual unit (Common areas include community/recreation rooms, swimming pool clubhouses and bathhouses.)
  - In each laundry room, one paint sample each from one wall, the floor and window or windowsill
  - One paint sample from any storage area floors and any painted storage bin doors
- Exterior surfaces and equipment
  - One paint sample from playground equipment
  - One paint sample from hand railings
  - One paint sample from painted parking bollards and parking stops

Properly trained personnel must perform all LBP testing, and the environmental consultant must supervise all such testing. To the extent required by federal, State or local law or the regulations of the EPA, individuals and firms collecting paint samples or conducting on-site testing must meet the relevant certification requirements.

The environmental consultant must perform LBP testing using state-of-the-art techniques and in accordance with manufacturer's recommendations. Each laboratory used to conduct LBP analysis must be accredited under the EPA's National Lead Laboratory Accreditation Program. If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

#### **c. Issue resolution by environmental consultant (02/07/06)**

If LBP testing is conducted, the environmental consultant must conclude that the testing indicates no hazard (an acceptable level of LBP is defined as less than 0.5 percent by weight as



measured by laboratory analysis or 1.0 mg/cm<sup>2</sup> as measured by XRF) or make one of the following recommendations:

- Additional environmental investigation of the LBP hazard
- LBP remediation
- An O&M program
- A combination of these options

The environmental consultant's recommendations must be based upon (among other factors):

- Pervasiveness of the LBP
- Concentration levels of the LBP
- Location of the LBP (that is, on which surfaces)
- Condition of the LBP surfaces in the Property

**d. Issue resolution by Borrower (02/16/23)**

Freddie Mac does not require any specific Borrower actions if

- The Property was built in 1978 or later, or
- A “lead free” certificate has been issued by a qualified environmental professional in accordance with EPA, HUD or State requirements, and the environmental consultant has reviewed all supporting documentation, or
- All painted surfaces have been properly tested as specified in Section 61.11(a) and found to contain acceptable levels of LBP (less than 0.5 percent by weight as measured by laboratory analysis or 1.0 mg/cm<sup>2</sup> as measured by XRF), and
- The Property satisfies State and local LBP laws.

For untested Properties built prior to 1978 and for Properties with documented LBP, the Borrower must maintain all painted surfaces according to an O&M program that meets the requirements set forth in Section 61.11(f).

**e. Environmental report documents (01/31/14)**

The environmental consultant must attach to the environmental report:

- All test results and photographs of damaged paint conditions, and
- A copy of the “lead free” certificate, if applicable.

**f. O&M program (02/07/06)**

The environmental consultant must certify that the O&M program is appropriate to address the LBP hazard of the particular Property. In establishing an appropriate O&M program for consideration by Freddie Mac, the environmental consultant must consider the following factors:





- Age of the Property
- Condition of the painted surfaces
- Type of windows, window frames, doors and door frames

The environmental consultant must include the following components in the LBP O&M program:

- **Surveillance**  
Regular inspections of the condition of the LBP
- **Controls**  
A permit system or other work control program to control activities that might disturb LBP
- **Work practices**  
Procedures to avoid or minimize disturbance of LBP
- **Recordkeeping**  
Documentation of O&M activities
- **Worker protection**  
Medical and respiratory protection programs, as applicable
- **Training**  
Training for the O&M program manager, custodial and maintenance staff

In particular, an LBP O&M program must include the following:

- a. The program must provide for training of all maintenance staff persons, supervisors and property managers who may perform any of the tasks included in the O&M program. Maintenance supervisors and property managers must attend at least one day of LBP training and must maintain certification of successful course completion.

The trainees may complete any training program that meets the following requirements:

- Employs an EPA- or U.S. Department of Housing and Urban Development (HUD)-model training curriculum
  - Is accredited by the EPA or the State for training abatement workers and/or supervisors
  - Is sponsored by an appropriate State or local agency
- b. A properly trained individual (as described in item "a" of this section) must complete a thorough initial inspection of the entire complex, including common areas and all occupied and vacant units to assess the condition of the painted surfaces.
  - c. The property manager must establish a re-inspection schedule for the term of the Mortgage. The schedule must include a re-inspection of each living unit at least annually. The inspector must perform a thorough wet wipe-down of all horizontal surfaces at each re-inspection, even if the painted surfaces are in excellent condition.
  - d. The Borrower must have any damaged surfaces remediated using appropriate methods that will not create a release of LBP chips or dust into the living space.



- e. The remediator must thoroughly wipe all horizontal surfaces with a wet cloth or sponge, changing the wash water often. Horizontal surfaces of greatest concern include windowsills and hard flooring near windows.
- f. The Borrower must give the highest priority to the scheduling of repair work in dwelling units occupied by children aged six or younger, or by pregnant women.

## 61.12 Drinking water quality (02/16/23)

### a. Environmental assessment scope of work (02/07/06)

For a Property serviced by a municipal water system, testing is not required.

### b. Environmental assessment protocol (06/27/19)

The environmental consultant must determine if the Property is serviced by a municipal water system and must identify and verify the drinking water supplier for the Property.

If the Property is not serviced by a municipal water system, the environmental consultant must determine if the drinking water is in compliance with applicable federal, State, and local requirements, which will include reviewing test results that are no more than 180 days old at the time of the site visit. If the consultant cannot determine the compliance of the water system, then the environmental consultant must obtain and analyze drinking water samples for the Property that include a first draw sample. The environmental consultant must test and compare these samples to State drinking water quality standards to determine whether compliance is currently achieved. If no State program exists, Federal Safe Drinking Water Act standards apply.

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

### c. Issue resolution by environmental consultant (02/16/23)

For Properties not serviced by a municipal water system, the environmental consultant must analyze available water test results, determine the adequacy of past testing and verify that the water meets the standards identified in Section 61.12(b). If previous testing was insufficient, inconclusive or revealed that the water quality is below the identified standards, the environmental consultant must identify the need for additional testing as well as recommended remedial actions.

### d. Issue resolution by Borrower (10/14/16)

If a Property is not serviced by a municipal water system, the Borrower must ensure the Property meets all of the following requirements:

- The lateral water supply line must be "stubbed" at the Property's boundary
- The current water supply must have been tested and found to be in compliance with all federal, State and local drinking water requirements



- The Borrower must provide the cost estimate of the connection or conversion to the municipal water system, as prepared by a contractor capable of performing the work

Freddie Mac will require the Borrower to establish a Reserve of at least 125 percent of the estimated cost to convert to municipal water, or in the case of an SBL Mortgage, converting to municipal water must be listed in the SBL Physical Risk Report as a Priority Repair.

Regardless of the water source, lead associated with water service lines, joints and fixtures can impact water quality. The Borrower must provide a tenant-awareness package to current and future tenants, to include a document that discusses the potential risks associated with lead. The U.S. Environmental Protection Agency provides [information on lead poisoning in drinking water](http://www.epa.gov/information-on-lead-poisoning-in-drinking-water) at [www.epa.gov](http://www.epa.gov).

**e. Environmental report documents (02/07/06)**

The environmental consultant must append the water testing data to the environmental report.

**61.13 Mold (12/14/17)**

**a. Environmental assessment scope of work (02/07/06)**

The environmental consultant must investigate for hazards associated with Mold and report on all findings related to the evidence of Mold, water intrusion and conditions that could lead to Mold growth.

**b. Environmental assessment protocol (09/01/16)**

The environmental report must include evidence that the environmental consultant has completed the following tasks:

1. Searched for visual and olfactory evidence of Mold in all areas inspected
2. Made inquiries of the property owner, manager or other knowledgeable property staff regarding whether there has been Mold as a result of water intrusion or leaks or whether there have been any tenant complaints regarding health problems or musty odors
3. Inspected all areas reported to have evidence of Mold as a result of water intrusion or leaks
4. Determined the potential impact that existing Mold may have on the Property

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**c. Issue resolution by environmental consultant (12/14/17)**

If the environmental report indicates that there is evidence (observed or reported) of substantive current or past water intrusion or Mold or that the climate, geography or geology are indicative of water intrusion problems, the environmental consultant must:



- Recommend that the source of all current and past water intrusion be identified and corrected
- Recommend that any observed substantive Mold issues be remediated in accordance with EPA guidelines for cleanup and remediation
- Make a professional judgement if a Moisture Management Plan (MMP) is required to address potential ongoing water and Mold issues

#### d. Issue resolution by Borrower (12/14/17)

In general, prior to the Origination Date, the Borrower must correct all issues related to water intrusion, leakage and Mold. If the Borrower has not corrected these issues prior to the Origination Date, Freddie Mac will require the Borrower to establish a Repair Reserve for this correction, cleanup and remediation.

In addition,

- If recommended by the environmental consultant, the Borrower must have established a Moisture Management Plan prior to the Origination Date and in accordance with the requirements set forth in Section 8.3(a) or Section 8SBL.3(a), as applicable
- A Property with evidence of water intrusion, leakage or Mold is subject to
  - The Increased Scrutiny for Moisture or Mold Issues requirements set forth in Section 8.3(b) or Section 8SBL.3(b), as applicable, and
  - The Special Moisture or Mold Issues Inspection requirements set forth in Section 8.3(c) or Section 8SBL.3(c), as applicable

#### e. Environmental report documents (02/07/06)

The environmental consultant must attach to the environmental report photographs of Mold evidence.

### 61.14 Radon (~~09/14/23~~05/22/25)

#### a. Environmental assessment scope of work (~~02/16/23~~05/22/25)

The environmental consultant must determine whether radon testing is warranted at the Property. Radon testing is not required for ~~every Property, subject to the following exemptions:~~

~~Properties with existing debt to Freddie Mac, programs or Fannie Mae that have undergone previous radon testing compliant with Exhibit 11 (without regard to footnotes 1 and 2 in Exhibit 11) products:~~

- Supplemental Mortgages
- Cooperatives
- Manufactured Housing Communities



- Properties secured by an SBL Mortgage (see Section 62SBL.14)
- Properties with no ground-contact residential units (e.g., ground-floor is retail, amenities or leasing office only; residential units above a parking garage or ventilated crawl space compliant with local building codes)
- Properties with property-wide radon mitigation systems and an O&M program in place
- Properties that when newly constructed incorporated radon-resistant design elements, including a:
  - Layer of clean gravel or aggregate installed beneath the slab or flooring system;
  - Layer of plastic sheeting or a vapor retarder installed on top of the gravel layer;
  - Gas-tight venting pipe installed that runs from the gravel level through the building to the roof; and
  - Thoroughly sealed and caulked foundation

~~When~~ If the environmental consultant concludes that testing ~~or mitigation~~ is not ~~necessary~~ warranted, they must provide their reasoning. Examples could include Property design, previous radon testing at the Property, radon testing data from environmental databases, research, or the consultant's judgement and ~~documents reasons supporting this conclusion.~~ Freddie Mac will not accept use of professional experience, including reference to the Environmental Protection Agency Map of Radon Zones designation ~~as the sole or primary reason for not testing.~~

**b. Environmental assessment protocol (02/16/23 05/22/25)**

All radon testing will be managed by the environmental consultant, who must be an "Environmental Professional" as that term is defined in 40 CFR § 312.10.

~~Radon~~ If the environmental consultant determines that radon testing is warranted, the testing must be conducted pursuant to the Multifamily Radon Testing Requirements outlined in [Exhibit 11, \(Radon Testing and Mitigation Standards\)](#), ~~except that for Properties taken under application on or prior to June 30, 2023:~~

- ~~• A minimum of 10 percent of ground-contact units at the Property must be subject to the initial round of radon testing, with no fewer than one radon test per each building having ground-contact units, and~~
- ~~• Follow-up radon testing is only required to occur in each unit that tested at 4.0 pico-Curies per liter of air (pCi/L) or greater during the initial round of testing~~

**c. Issue resolution by environmental consultant (02/16/23)**

If radon mitigation is required according to the threshold for mitigation outlined in [Exhibit 11, Radon Testing and Mitigation Standards](#), or is otherwise recommended by the environmental



consultant, the environmental consultant must include in the environmental report a description of what mitigation methods will be used. The environmental consultant must review any mitigation contract(s) and comment on the appropriateness of the scope, cost and schedule for the required work.

If any follow-up testing recommended pursuant to [Exhibit 11](#) cannot be completed prior to the Origination Date, the environmental consultant must provide a written estimate of the cost of mitigation that would be necessary if mitigation is required. Freddie Mac may, in its sole discretion, require the Seller/Servicer to establish a Repair Reserve in the amount of at least 125 percent of the estimated cost of mitigation.

**d. Issue resolution by Borrower (06/15/23)**

Any mitigation required according to the threshold for mitigation outlined in [Exhibit 11, Radon Testing and Mitigation Standards](#), or otherwise recommended by the environmental consultant, must be performed pursuant to [Exhibit 11, Radon Testing and Mitigation Standards](#).

If a Property cannot be mitigated prior to the Origination Date, the requirements of Section 61.4(b) apply. The Borrower must have a signed, binding, fixed-price radon mitigation contract with a qualified radon mitigation professional to mitigate the radon issue on the Property pursuant to [Exhibit 11](#) within 90 days of the Origination Date (or other time frame acceptable to Freddie Mac). In addition, the Seller/Servicer must establish a Repair Reserve in the amount of at least 125 percent of the estimated cost of mitigation. If the initial round of testing cannot be completed prior to the Origination Date, any mitigation system that may be required must be installed within a time frame agreed to by Freddie Mac.

When the mitigation is complete, the Borrower must submit written documentation prepared by the environmental consultant that states:

- What mitigation steps have been taken
- That the work has been satisfactorily completed
- That post-mitigation testing confirms radon concentrations below 4.0 pCi/L in each unit mitigated

**e. Environmental report documents (09/14/23 05/22/25)**

~~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](mailto:MF-PhysicalRisk@freddiemac.com) to obtain access. Instructions for the environmental consultant on submitting the required data elements are available on such website.~~

In addition to any environmental report requirements that are listed in [Exhibit 11, Radon Testing and Mitigation Standards](#), the environmental report must include the following from the environmental consultant when radon testing has occurred at the Property:



- As part of the executive summary of the environmental report, a summary of the radon findings and recommendations, including estimated costs for any further testing and mitigation
- Further details on the testing methods, canister locations, results, and additional testing/mitigation requirements
- Detailed radon findings included in the appendix of the environmental report

If the environmental consultant determines that radon testing is not warranted at the Property, the support for this conclusion must be included as part of the executive summary of the environmental report along with any supplementary documentation in the appendix of the environmental report.

### 61.15 Superlien status (05/31/11)

The environmental consultant must determine, and the environmental report must indicate, if the State where the Property is located has an Environmental Superlien Law that would allow environmental authorities to place a first priority lien on the Property as a result of environmental hazards.

### 61.16 The Environmental Site Assessment – Form 1103 (~~02/16/23~~05/22/25)

The environmental consultant must complete the [Form 1103](#) and sign it. The following chart lists the sections of [Form 1103](#):

<u>Section number</u>	<u>Section name</u>
Section I	Summary
Section II	Private Wells, <u>Radon</u> and Attachments
Section III	Unit Inspection and Certification

#### a. Summary (12/15/16)

Section I of the [Form 1103](#) must indicate the environmental consultant's determination of whether each environmental issue is acceptable or not, and if mitigation is required. Further, the consultant must indicate the O&M programs (or Moisture Management Plan) that are required, as well as whether additional information is required with respect to that specific issue.

#### b. Recommendations and O&M programs (02/16/23)

Section I of the [Form 1103](#) must detail any recommendation for response to the presence of any environmental hazard (for example, the removal of the hazard and/or the implementation of an O&M program) and the estimated costs associated with any mitigation. Section 61.4(c) provides additional guidelines for O&M programs.

#### c. Private Wells, Radon and Attachments (~~02/16/23~~05/22/25)

In Section II of the [Form 1103](#), the environmental consultant must provide information on private wells and radon, and provide the attachments in the order in which they are listed on [Form 1103](#).

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If the environmental consultant does not include a particular attachment with the environmental report, the environmental consultant must provide an explanation.

**d. Unit Inspection and Certification (12/15/16)**

The environmental consultant must provide a list of units inspected, and the certification must be signed by an authorized representative of the consulting firm.

**61.17 Environmental consultant qualifications and requirements (02/16/23)**

The environmental consultant performing the environmental assessment and preparing the environmental report must be an “Environmental Professional” as that term is defined in 40 CFR § 312.10 and must meet the minimum qualifications and requirements specified in this section.

Because Freddie Mac does not approve environmental consultants, the Seller/Servicer must not consider any representation that an individual or firm is approved or qualified by Freddie Mac to perform environmental reports.

The Seller/Servicer is responsible for selecting the environmental consultant and solely accountable for the environmental consultant's performance.

**a. Education, training and experience for Non-Scope Issues (02/16/23)**

Personnel directly involved with the evaluation of Non-Scope Issues must also have expertise in at least the following relevant areas:

1. Asbestos identification and abatement
2. LBP identification and abatement design and supervision
3. Radon measurement and mitigation
4. Familiarity with applicable federal, State and local environmental and public health laws and regulations
5. Development of O&M programs

Additional training must include a 24-hour asbestos inspection course and an annual refresher course that, at a minimum, meets the EPA Guidelines for Asbestos Model Accreditation Plan Annual Refresher Training.

For asbestos, LBP and radon work, some States and municipalities require a license or certificate. The environmental consulting firm must utilize properly licensed or certified providers to complete the project. The Seller/Servicer must review and verify the environmental consultant's credentials, licensing, certifications, memberships and affiliations.

**b. References (02/16/23)**

The environmental consultant must have extensive experience completing environmental reports substantially similar in nature, size and complexity to that being performed on the Property.



Freddie Mac will not accept an environmental report from an individual or firm that has been excluded from EPA-assisted programs. The Seller/Servicer must check the federal exclusion record at <https://sam.gov/content/exclusions> for the names of individuals and firms that are excluded by federal government agencies from receiving:

- Federal contracts
- Federally approved subcontracts
- Certain types of financial and non-financial assistance and benefits

The Seller/Servicer must retain these references in its files for review by Freddie Mac.

**c. Conflicts of interest/providers of related services (02/07/06)**

The environmental consultant must not be affiliated with the Borrower, Seller/Servicer, or seller of the Property, or engaged in business that might present a conflict of interest. One possible conflict of interest is business with environmental enforcement agencies, where the environmental consultant's future contract awards from the agency depend on maintaining a cordial relationship with agency representatives. In remediation work requiring negotiations with the agency, such a relationship could conflict with the environmental consultant's representation of the client.

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

The environmental consultant must provide the Seller/Servicer with an original certificate(s) of liability insurance at its own expense, which evidences coverage meeting the requirements of Section 11.5.

The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

**e. Unacceptable consultants (07/01/14)**

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* or the *Multifamily TAH Underwriter* if the Seller/Servicer discontinues the use of a consultant for cause and such consultant has completed environmental reports within the past 12 months for Mortgage purchased by Freddie Mac.

In addition, Freddie Mac reserves the right to refuse to accept environmental assessments reports completed by any specific consultant. Freddie Mac will maintain, on FreddieMac.com, the [Multifamily Restricted Vendor List](#). If a consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to prepare environmental assessment reports for a Mortgage to be purchased by Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the 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 consultants do not prepare reports for Multifamily and shall constitute "Confidential Information" as defined in Section 2.8.



### 61.18 Mortgage Servicing (05/31/12)

Using the Freddie Mac Annual Inspection Form (AIF) (see Chapter 40), the Seller/Servicer must confirm annually that the Borrower is maintaining the Property according to any applicable O&M program, environmental law or regulation. The Seller/Servicer is not expected to obtain an environmental report along with the assessment inspection. However, the Seller/Servicer must make an on-site inspection prior to advising Freddie Mac of the environmental status of the Property. The Seller/Servicer must inspect the buildings and grounds and review the activities of the Borrower, tenants, sublessors, their agents and any other third parties. These confirmations must specifically address the continuing effectiveness and adequacy of all current remedial and maintenance actions.

In addition, the Seller/Servicer must complete an AIF immediately following the occurrence of any event that might reasonably be expected to impact the environmental condition of the Property or the adequacy of prescribed remedial or maintenance actions. Such events would include fire, flood, building construction or rehabilitation, spills or leaks of hazardous wastes or materials, unusual or intense use of property facilities, or significant changes in custodial or management personnel.

The Borrower must comply fully with all applicable environmental laws and report any violations of such laws to the Seller/Servicer and the appropriate federal, State or local authority.

The Seller/Servicer must require that the Borrower take all necessary actions to ensure that all violations are promptly corrected and that the Property is brought back to, and maintained in full compliance with, all appropriate environmental statutes and good management practices.

### 61.19 Representations and warranties (09/28/18)

The Seller/Servicer is deemed to make the warranties regarding the environmental report and the environmental consultant set forth in Section 5.4.

# Multifamily Seller/Servicer Guide

## Glossary and List of Commonly Used Acronyms



### Glossary and List of Commonly Used Acronyms (0405/22/25)

[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.

##### Actual Cash Value

See Section 31.1(d).

##### 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/Servicer

Affiliated Persons of the Seller/Servicer include the following:

1. The Seller/Servicer's directors, officers, employees and controlling persons
2. Spouses or domestic partners of the Seller/Servicer's directors, officers and controlling persons
3. Members of the immediate family of the Seller/Servicer's directors, officers and controlling persons who have the same home as such persons
4. Individuals who are directors or officers of any subsidiary or holding company affiliate of the Seller/Servicer
5. Corporations or organizations (other than the Seller/Servicer or a corporation or organization through which the Seller/Servicer operates) of which a director, officer or controlling person of the Seller/Servicer is
  - An officer or partner
  - Directly or indirectly, either alone or with his or her spouse or domestic partner, the owner of 10 percent or more of any class of equity securities
  - Owner with other directors, officers and controlling persons of the Seller/Servicer and their spouses or domestic partners of 25 percent or more of any class of equity securities
6. Trusts or other estates in which a director, officer or controlling person of the Seller/Servicer or the spouse or domestic partner of such person has a substantial beneficial interest or for which such person or his or her spouse or domestic partner serves as trustee or in a similar fiduciary capacity

### Affiliates of the Borrower

Affiliates of the Borrower include any person or entity who Controls, is Controlled by, or is under common Control with the Borrower.



### Agreed Amount Provision or Agreed Value Endorsement

See Section 31.1(d).

### 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.

### Blanket Insurance Limit

See Section 31.1(d).



### Blanket Insurance Policy

See Section 31.1(d).

### **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.

## Captive Insurance Company or Captive Insurer

See Section 31.1(d).

## Certified Inspector

See Section 40.13(b).

## Certified Organizational Chart

A Certified Organizational Chart is an Organizational Chart that is attached to [Form 1114, Certification – Organizational Chart](#). If the Certified Organizational Chart is revised, the Borrower must submit a new [Form 1114, Certification – Organizational Chart](#), with the revised Organizational Chart.

## Change of Control

With respect to the Seller/Service, a change in the Control, directly or indirectly, of the management or policies of a Seller/Service, whether through ownership or transfer of ownership interests, by contract, or otherwise. A person is presumed to have such power if the person:

- Is a director, general partner, or Senior Management of the Seller/Service



- Directly or indirectly has the right to vote 10 percent or more of a class of a voting security of the company or has the power to sell or direct the sale of 10 percent or more of a class of voting securities of the company
- In the case of a limited liability company, is a managing member of the limited liability company; or
- In the case of a partnership, has the right to receive upon dissolution or has contributed 10 percent or more of the capital of the partnership

### Claims Made Policy Form

~~An insurance policy that covers claims first made (reported or filed) during the year the policy is in force for any incidents that occur that year or during any previous period during which the insured was covered under a "claims-made" contract. This form is in contrast to the Occurrence-based Policy Form.~~

See Section 31.1(d).

### Coinsurance Clause

See Section 31.1(d).

### 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/Service

A Conventional Seller/Service is a Seller/Service 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/Service.

## 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
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.

### 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.

### Document Management System

A Multifamily Software Application used to receive, deliver, and store electronic versions of documents relating to Freddie Mac Multifamily Mortgages.

### Down Units

Residential units that cannot be made rent-ready with routine maintenance and repairs.



## Due Date

The Due Date is the date on which the Borrower's monthly installment of principal, interest and, where applicable, Reserves is due as stated in the Note and other Loan Documents.

## Due Date of Last Paid Installment

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/Servicer Representations and Warranties referenced in Section 5.13 of the Guide and found under the “Resources” section of the Legal Documents page at [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal).

## Expiration Date

The Expiration Date is the date set forth in the Letter of Commitment by which the Seller must accept the Letter of Commitment and Rate Lock. The Expiration Date for an early rate lock application is or the expiration date of the Quote.

## Exclusionary List

The Exclusionary List is a confidential list compiled, maintained and distributed by Freddie Mac, containing names and other information concerning persons or entities that have been restricted or excluded from participating in transactions or doing business with Freddie Mac. The Exclusionary List is updated at least monthly by Freddie Mac.

Seller/Servicers can access the Exclusionary List under “Quick Links” on the [Originate and Underwrite](#) and [Asset Management](#) web pages.

## Exempt Inspector

See Section 40.13(b).

## Fee Inspector Company

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 Section 29.2.

### 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.freddiemac.com](http://mf.freddiemac.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/Servicer Guide, including the exhibits and related supplements, Bulletins and Industry Letters.

### Hardcopy Delivery Package

The Hardcopy Delivery Package is the set of documents comprising a portion of the Final Delivery Package which must be delivered in their original hardcopy form. For identification of the documents comprising the Hardcopy Delivery Package, refer to the appropriate Final Delivery Table of Contents available at [mf.freddiemac.com/lenders/purchase/](https://mf.freddiemac.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 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).

### Insurable Value

See Section 31.1(d).





## Insurance Compliance Tool

A Multifamily Software Application for Sellers to submit documentation related to Borrower's insurance compliance.

## Joint Loss Agreement

See Section 31.1(d).

## 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.

### Life Safety Hazard

Life Safety Hazards consist of conditions that increase the possibility of personal injury or death. Traditionally, these hazards are associated with inadequate protections and often result from noncompliance with code requirements.

See also the definitions of Imminent Life Safety Hazard and Potential Life Safety Hazard, which apply to the post-purchase annual inspection of a Property. There is no comprehensive list of Imminent or Potential Hazards and the inspector must exercise judgement to determine the Hazard category.

### LIHTC Investor

In a LIHTC transaction, each person or entity that has aggregate ownership (direct or indirect) of 50% or more of the Borrower's limited partner. The LIHTC Investor expects to receive the benefit of the LIHTC and does not Control the Borrower.

### LIHTC Syndicator

In a LIHTC transaction where the LIHTC investment is made through a syndicated LIHTC fund, the entity with Ultimate Control of the general partner of the LIHTC fund. In that capacity, the LIHTC Syndicator, for the benefit of the LIHTC fund and the LIHTC Investor(s), provides acquisition, underwriting, portfolio management, asset management and investor reporting services.

### Linked Buildings

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.freddiemac.com](http://mf.freddiemac.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 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.



### Localized Peril or Regional Peril

See Section 31.1(d).

### 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 Insurance Policy

See Section 31.1(d).

### 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.

### 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.

### 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/Service 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)

### National Flood Insurance Program

See Section 31.1(d).





## 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.~~  
See Section 31.1(d).

## 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.freddiemac.com](https://mf.freddiemac.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.

## 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

**AAA** 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.

### Specific Insurance Limit

See Section 31.1(d).

### 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 the requirements in Chapter 29 and the [Title Policy and Endorsement Requirements](#).

## 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.

## 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.

### 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.

### 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



**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





**NFIP**

National Flood Insurance Program

**NOI**

Net Operating Income

**OFAC**

Office of Foreign Assets Control

**OUS**

Origination and Underwriting System

**PC**

Participation Certificate

**PLIM**

Preliminary 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