

Appendix B to June 13, 2024 Bulletin: Redlined Guide Chapter Changes

A combined redlined file of all Guide chapter changes
made with the June 13, 2024 Bulletin



Redlined Guide Chapter Changes

Compilation of redlined Guide chapters

This PDF is a compilation of redlined changes to each revised Guide chapter, the Glossary and Directory that were announced with the June 13, 2024 Bulletin. It does not contain redlined changes of the full Guide. The redlined changes are only of the chapters that have been revised with this Bulletin.

Review in conjunction with the Bulletin and Guide Updates Spreadsheet

These redlined changes must be reviewed in conjunction with the June 13, 2024 Bulletin and Appendix A to April 18, 2024 Bulletin, Guide Updates Spreadsheet. The redlined changes may appear more extensive than the change is, as text may have moved or formatting may have changed. The footers are updated by chapter.

Official electronic version of the Guide available on AllRegs®

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



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2.1 Notification concerning Principals (04/15/21)

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

2.7 Freddie Mac audit (09/14/23)

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

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

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

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

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

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

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

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

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



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/.

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

Freddie Mac legal forms that are not available at 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 FreddieMac.com.

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

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

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

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

c. Other entities (06/27/19)

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

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

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

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)
- myOptigoSM
- Origination and Underwriting System (OUS)
- Property Reporting System (PRS)
- Small Balance Loan Production Pipeline Manager (PPM)

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

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

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



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

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

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

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

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

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

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

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

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

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

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

2.13 System administrator requirements (06/17/21)

a. Seller/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 FreddieMac.com, including the Freddie Mac Exclusionary List

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

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

The system administrator is required to identify:

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

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

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

When an employee or vendor for a Seller/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, no later than 30 days after the departure or transition, take each of the following actions:



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

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

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

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

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

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

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

- Each of the current system administrators is a current employee of or vendor for the Seller/Service with appropriate application access and authority level based on the



- All system administrator contact information, including the system administrator's e-mail address, is correct. The officer must complete Form 1149, System Administrator Verification and Certification, to make these certifications.

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

2.14 ~~Electronic Signatures, Electronic Records, and data security (10/19/23)~~ Electronic Signatures, Electronic Records, and data security (06/13/24)

a. Overview (05/05/17)

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

b. Definitions (06/30/16)

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

- **Computer Systems**

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

- **Computer Contagion**

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

- **Electronic**

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

- **Electronic Record**

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

- A facsimile ("fax") machine copy of a Record



- A scanned copy of a Record
- A paper Record converted into an Electronic Record
- An e-mail
- Electronic information communicated or transmitted using Electronic means permitted or required by Freddie Mac

- **E-SIGN**

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

- **Electronic Signature**

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

- **Electronic Transaction**

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

- **Host**

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

- **ISP**

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

- **Record**

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

- **UETA**

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

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

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



d. ~~Security standards (02/06/04)~~ Security standards (06/13/24)

1. Minimum standards

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

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

2. Restricted access from foreign countries or regions

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

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

3. ~~1.~~ **Minimum security standards**

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

4. ~~2.~~ **Notification of Security Incident**

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



5. ~~3.~~ Failure to adopt or maintain standards

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

6. ~~4.~~ Seller/Service responsibility

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

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

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

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



g. Indemnification (06/30/16)

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

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

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

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

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

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

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

Each Seller/Servicer must designate the person(s) who will be the System Administrator(s) and must provide written notification to Freddie Mac Director, *Multifamily Customer*

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

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

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

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

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

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

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

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

- Commitments, early rate lock applications, Index Lock Agreements and all related Amendments, Adjustments/Modifications and Corrections
- Servicing approval requests
- All numbered Guide forms, except to the extent otherwise indicated on such form or requested by Freddie Mac



m. Governing law (06/30/16)

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

n. Conflict (06/30/16)

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

2.15 Standard of care (02/07/08)

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

2.16 Payment instructions (04/30/19)

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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



manages the closing or provides any certification to Freddie Mac)

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

3. Screen parties involved in a Transfer of Ownership.

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

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



- New Borrower’s counsel
- New guarantor’s counsel

4. Screen proposed new property management companies.

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

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

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

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

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

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

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

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

Before the Origination Date of a Mortgage, a Seller may contact Freddie Mac to request a waiver of representation and warranty obligations under Section 5.2(g) with respect to the Mortgage. The Seller must make such request to the Freddie Mac Fraud Mailbox at mortgage_fraud_reporting@freddiemac.com, or alternatively may make such request by fax or regular mail to the *Investigation Unit*.

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

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

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

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

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

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

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

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

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

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

The identities of the persons and entities whose names are on the Exclusionary List are not publicly available, and the Exclusionary List is considered "Confidential Information" of Freddie Mac for purposes of Section 2.8. The Seller/Servicer must keep the Exclusionary List confidential in accordance with the terms and conditions of Section 2.8. The Seller/Servicer may use the Exclusionary List only as required in Section 2.18(c), and may not use or disclose the Exclusionary List for any other purpose without Freddie Mac's written permission.



k. Indemnification (06/29/18)

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

l. Remedies (10/07/11)

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

2.19 ~~Compliance and regulatory risk management (04/18/24)~~ Compliance and regulatory risk management (01/01/25)

a. ~~Chief Compliance Officer (02/16/23)~~ Policies and procedures (01/01/25)

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 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 (01/01/25)

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.

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

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

- ~~Fraud and other Suspicious Activity (see Section 2.19(b) below)~~ [Fraud and other Suspicious Activity \(see Section 2.19\(c\) below\)](#)
- Business continuity and recovery (see Section 2.20)
- Vendor risk management (see Section 2.26)
- Data security (see Section 2.26)
- ~~Other compliance and regulatory matters~~ [Other compliance and regulatory matters \(including Section 2.19\(a\) above \(effective 01/01/25\)\)](#)

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

c. ~~b.~~ Prevention, detection and reporting of fraud and other Suspicious Activity (04/18/24)

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

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

It is also important for Seller/Servicers to know the parties with whom they do business. Each Seller/Servicer must approve, evaluate and monitor appraisers, Title Companies and any third party to whom functions relating to a Mortgage or REO are outsourced or assigned, including consulting the Multifamily Restricted Vendor List. (See Sections 29.1(c), 29SBL.1(c), 60.4(c), 61.17(e) and 62.8(e).)



~~Business continuity and recovery (10/19/23)~~ Business continuity and recovery (06/13/24)

a. ~~Business Continuity Plan (10/19/23)~~ Business Continuity Plan (06/13/24)

~~The Seller/Servicer and Material Vendors must implement and maintain a business continuity and disaster recovery plan (“Business Continuity Plan”) that provides for the assured and continuous delivery of core operations in the event of a disaster or an incident involving a loss of, or material impact to, any facilities and personnel deemed critical to core operations (“Business Disruption”). The Business Continuity Plan must include:~~ The Seller/ Servicer 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/ Servicer facility
- Geographically dispersed work areas and resources available in the event of a regional disruption
- Environmental controls to monitor, mitigate and protect the organization with regard to a loss of connectivity, access to, or integrity of, information and damage caused by natural disasters or manmade incidents such as fire, earthquake, flood, hurricane, tornado or weather-related adverse conditions
- Documented procedures for crisis management, plan invocation and activation of recovery sites
- Identification of all mission-critical systems, external dependencies, network diversity, vital records, personnel and the provisions in place to ensure their continued availability
- Standards and controls that are appropriate for customers participating in the critical financial services markets

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

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

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



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

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

2.21 Email communications with Seller/Service (07/01/14)

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

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

Freddie Mac requires Seller/Service subject to the anti-money laundering provisions of the Bank Secrecy Act to establish and maintain a compliance program that ensures compliance with all applicable provisions of the Bank Secrecy Act and implementing federal regulations. Such

Seller/Service providers must, as permitted by law, notify the MF Asset Management Operations Fraud Investigation Unit, in accordance with Section 7.2, within seven Business Days of confirmation of any instances of the Seller/Service provider's own non-compliance or compliance failure related to the anti-money laundering requirements of the Bank Secrecy Act, the Money Laundering Control Act, or Title III of the USA Patriot Act, and applicable implementing federal regulations.

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

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

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

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

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

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

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

Seller/Service providers are responsible for reviewing the FHFA SCP List and related final suspension orders, which can be found on the FHFA's web site at

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

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

2.25 Equity Conflicts of Interest (02/22/24)

(a) An Equity Conflict of Interest occurs when:

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

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

- The Employee-Level Owner does not currently have, or have the ability to assume, control of the Borrower
- The property inspection and lease audit is not delegated by Freddie Mac to the Seller/Servicer
- If there are multiple Employee-Level Owners with equity interests in the same Borrower, the 5 percent threshold is applied to total combined interests per Seller/Servicer

- (ii) The Seller/Servicer, an affiliate of the Seller/Servicer, an executive employee of the Seller/Servicer, or a family member of an executive employee of the Seller/Servicer ("Seller/Servicer-Level Owner") has an equity interest in the applicable Borrower.

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



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

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

- (b) Equity interests held through equity investments made in third-party investment vehicles (such as REITs not managed by the Seller/Servicer, mutual funds, exchange-traded funds, index funds and SEC-registered funds) that directly or indirectly own and/or control the Property are not considered Equity Conflicts of Interest.
- (c) Seller/Servicer-Level Owners of tax credit equity investments in Low-Income Housing Tax Credit (LIHTC) transactions, as a LIHTC Investor (directly or through a syndication) or as a LIHTC Syndicator, are acceptable Equity Conflicts of Interest, but must be disclosed to Freddie Mac as provided in the Guide.
- (d) Equity Conflicts of Interest must be disclosed to Freddie Mac as provided in Sections 9.2, 9SBL.2, 36.18, 41.4, 41SBL.4(c), 55.2 and 55SBL.2. In addition, the Seller/Servicer must contact its Freddie Mac representative in the following instances:
 - (i) The ownership thresholds exceed the levels outlined above
 - (ii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest currently has or will have the ability to assume control of the Borrower
 - (iii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest is a Guarantor of the applicable Mortgage regardless of ownership level
 - (iv) The Seller/Servicer or its affiliate has an equity interest in the form of mezzanine debt, a Preferred Equity Contribution or Subordinate Financing
 - (v) The Seller/Servicer or its affiliate is selling a Property in which it has an equity interest and the applicable Mortgage provides acquisition financing for the Property
 - (vi) The individual attorney representing the Seller/Servicer in the applicable Mortgage has an equity interest in the Property or Borrower
- (e) A Transfer of Servicing 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
 - (iii) The property inspection and lease audit may not be delegated by Freddie Mac to the Seller/Servicer
 - (iv) Notwithstanding the provisions of Section 60.4, neither the appraiser nor the appraisal firm may be affiliated with or related to the Seller/Servicer
 - (v) No other Equity Conflict of Interest is occurring

2.26 ~~Information security (10/19/23)~~ Information security (06/13/24)

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

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

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

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

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

- **Authentication:** The process in which a system verifies the identity of an individual usually based on some form of credential(s) (e.g., password/ID, token, etc.)



- **Encryption:** The process of encoding or obfuscating messages or information in such a way that only authorized parties can read it
- **Vulnerability Management:** Identification and testing of known software vulnerabilities of a system and the prioritization of remediation according to likelihood of occurrence and impact of exploitation

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

a. ~~Information security minimum requirements (10/19/23)~~ Information security minimum requirements (06/13/24)

(i) **Information security program**

~~Seller/Servicers and Material Vendors must define a group or identify an individual responsible for the development of information security requirements, including the adoption, implementation, maintenance and administration of written minimum security standards, policies and procedures that responsibly address critical issues including:~~ Seller/Servicers and Material Vendors that present information security risk to Freddie Mac (i.e., those that have access to Freddie Mac data or systems) must define a group or identify an individual responsible for the development of information security requirements, including the adoption, implementation, maintenance and administration of written minimum security standards, policies and procedures that responsibly address critical issues including:

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

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

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

(ii) **Human resources security**

- **Pre-employment screening:** Each Seller/Servicer must conduct, or retain a qualified third party to conduct, thorough background verification checks (screening) for all candidates for employment or contractor status who will have access to Freddie Mac information



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

(iii) Physical and environmental security controls

The Seller/Servicer must create and maintain:

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

(i) Communications and operations management

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

(ii) Removable media policy

The Seller/Servicer must:

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



(iii) Anti-virus program/updates

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

(iv) Boundary protection

The Seller/Service must:

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

(v) Mobile computing

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

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

(vi) Wireless networks

The Seller/Service 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

(vii) Vulnerability Management



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
- Have written vulnerability assessment requirements that are periodically reviewed and up-to-date
- Prioritize and remediate identified vulnerabilities
- Maintain a record of all identified vulnerabilities and their status and a plan for remediation

(viii) Configuration and patch management

The Seller/Service must:

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

(ix) Auditing, logging and monitoring

The Seller/Service must:

- Develop, implement and maintain written guidelines and requirements for the logging and monitoring of activities and action within information systems. This must include the integration with the company's enterprise log management function where applicable.
- Develop, implement and maintain written log retention and handling requirements so that logs retain relevant, useable and timely information sufficient to identify significant user access and/or system activities

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

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

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

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

(xi) Treatment of sensitive data and Data Encryption

(i) Treatment of sensitive data

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

(ii) Data Encryption

The Seller/Service Provider must:

- Provide for the protection, integrity and confidentiality of data in transit and at rest
- Use Encryption during transmission and at rest for any potentially sensitive personal data
- Deploy Encryption standards that meet or exceed the then current industry standard (e.g., those set forth by NIST or FFIEC) Encryption strength and technology
- Prohibit use of outdated and unsupported technologies
- Use Encryption mechanisms on portable end-user devices to protect data if the hardware (e.g., laptop, mobile device) is lost or stolen

(xii) Incident management



The Seller/Service must:

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

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

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

b. Access control (10/19/23)

(i) Access management policy

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

- Establish an access management policy that includes a process for granting and removing system access, requirements for Authentication and rules of behavior
- Define remote access requirements including acceptable use, approvals and recertification processes
- Develop and apply an account lock-out threshold that determines the number of failed login attempts that will cause an account to be locked out until it is reset and/or a number of specified minutes has passed in conjunction with an account lock-out duration setting
- Define access and Authentication requirements for system administrators, including:
 - Enforce access control methods that limit access to systems, physical or virtual resources and grant access to users on a need to know basis. Access to potentially sensitive personal data must be limited to only those that must use it to perform their work.
 - Define and enforce requirements for multi-factor Authentication where applicable (privileged sessions, remote connectivity, applications housing personal data, etc.)
 - Manage Seller/Service user accounts for Freddie Mac systems in accordance with the Guide and its applicable Purchase and Servicing Documents. Seller/Service must monitor for users who transfer roles or are terminated and no longer need access to their accounts as required in Section 2.13.

(ii) Granting, removing and reviewing access

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



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

Seller/Service providers 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 changes must be conducted at least once every 90 days except for system-to-system credentials, which must be conducted at least once every 365 days.

(iv) Asset management

Seller/Service 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

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

(vi) Vendor risk management

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

c. ~~Compliance with Freddie Mac Security Incident requirements (10/19/23)~~ Compliance with Freddie Mac Security Incident requirements (06/13/24)

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

- ~~• The Seller/Servicer knows or reasonably believes that there has been any unauthorized access to, or acquisition of, data or computing resources to Freddie Mac systems, Seller/Servicer 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.), or~~
- ~~• From the circumstances and available information, a reasonable information security professional could conclude that there has been a Security Incident~~

~~Immediately, and in no event later than 24 hours after the Security Incident is discovered, the Seller/Servicer must notify Freddie Mac of the Security Incident via email at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com. If the Seller/Servicer does not have access to email, call 571-382-3333 to report the incident. The Seller/Servicer must report information about the incident as soon as it known, following the minimum requirements in the table below:~~

Security Incident notification requirements	
The Seller/Servicer must...	
<p>4. Immediately, and in no event later than 24 hours after the Security Incident is discovered, notify Freddie Mac of the Security Incident via email at <u>Information_Security@freddiemac.com</u> cc <u>MF_DMF_Data_Security_and_Privacy@freddiemac.com</u> Security Incident notification requirements</p>	
The Seller/Servicer must...	
<u>4a.1</u>	Provide the name, phone number and email address of the contact leading the Security Incident investigation
<u>4b.2</u>	Promptly investigate, correct and/or mitigate the Security Incident at the Seller/Servicer’s expense, including by identifying Freddie Mac information affected by the Security Incident and preventing the continuation and recurrence of the Security Incident

Security Incident notification requirements	
The Seller/Servicer must...	
<p>1. Immediately, and in no event later than 24 hours after the Security Incident is discovered, notify Freddie Mac of the Security Incident via email at Information_Security@freddiemac.com or MF_DMF_Data_Security_and_Privacy@freddiemac.com Security Incident notification requirements</p>	
The Seller/Servicer must...	
<u>1e.3</u>	Comply in a timely manner with applicable laws concerning notification requirements, giving Freddie Mac the opportunity to first review and comment on any notification that in any way refers to or identifies Freddie Mac. Upon request, timely provide Freddie Mac and its designees all information and assistance needed to enable Freddie Mac to timely make any notification it deems necessary or advisable concerning the Security Incident.
<u>4d. 4.</u>	Provide Freddie Mac with such information, including technical and forensic reports, as Freddie Mac may reasonably request to evaluate the effect of the Security Incident on Freddie Mac and Freddie Mac's data and operations and impacted Borrowers, Borrower Principals and/or other individuals affected by a certain Security Incident. If the Servicer determines not to send notices to any Borrowers, Borrower Principals and/or other individuals affected by a certain Security Incident, the Servicer must provide written notice to Freddie Mac including a rationale and explanation for not sending notice to all affected parties as soon as practicable after the Security Incident. Notwithstanding the Servicer's determination not to provide such notices, Freddie Mac may direct the Servicer to provide notices to the affected Borrowers, Borrower Principals and/or other individuals affected by the Security Incident, at the Servicer's expense.
<u>1e. 5.</u>	Provide Freddie Mac via email at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com with all details of the Security Incident known at that time and related internal and external investigations, including: <ul style="list-style-type: none"> • Technical indicators of compromise (email addresses, hash values, IP addresses, malware code, vector of compromise, etc.) • All tactics, techniques, and procedures of the incident • Other details surrounding the attack methodology and timing of the compromise • Point of contact information for the Seller/Servicer and any law enforcement agencies involved for further inquiries
<u>2.6.</u>	Once known, email Freddie Mac at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com with details: <ul style="list-style-type: none"> • Indicating whether or not Freddie Mac data was accessed, taken or exposed • Characterizing the nature of information accessed, taken or exposed • Of the likelihood of misuse and, if applicable, how any data was misused • Of any anticipated potential damage estimates (including reputational)

Security Incident notification requirements	
The Seller/Servicer must...	
<p>1. Immediately, and in no event later than 24 hours after the Security Incident is discovered, notify Freddie Mac of the Security Incident via email at Information_Security@freddiemac.com or MF_DMF_Data_Security_and_Privacy@freddiemac.com Security Incident notification requirements</p>	
The Seller/Servicer must...	
	<ul style="list-style-type: none"> Concerning what actions are being taken to remediate the Security Incident and its cause and to protect individuals and business assets in the future; and Any resulting after-action reports generated
3.7.	<p>Provide to Freddie Mac updates with details of the Security Incident, including:</p> <ul style="list-style-type: none"> Copies of any communications to Borrowers, state and federal agencies, regulators, credit reporting agencies or others Interim status updates Freddie Mac may request, including details on progress made since the last update until Freddie Mac is satisfied the incident giving rise to the Security Incident is fully resolved and closed Final incident closure report with details such as remediation actions or workarounds or correction that fixed the incident and restored service to its best quality, eradication and recovery steps taken and lessons learned from the incident

2.27 Vendor risk management (10/19/23)

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

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

Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 6/11/2024 4:25:51 PM	
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Intelligent Table Comparison: Active	
Original filename: 02 - General FM Policies GB-04-18-24.docx	
Modified filename: 02 - General FM Policies GB-06-13-24 v2.docx	
Changes:	
Add	95
Delete	45
Move From	0
Move To	0
Table Insert	1
Table Delete	2
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	143

Multifamily Seller/Service Guide

Chapter 3

Seller/Service Eligibility Requirements



3.1 Freddie Mac Seller/Service requirements and

designations (06/15/23)

- a. Optigo Lender (06/15/23)
- b. Freddie Mac Multifamily Structured Transaction Seller/Service (05/11/10)
- c. Freddie Mac Multifamily Servicing-only approval (06/17/21)
- d. Prescreen and Application Processes and fees (06/15/23)

3.2 Branch production offices and geographic areas for Optigo Conventional Lenders (Conventional Seller/Services) (06/15/23)

3.3 Financial eligibility minimum servicing volume and experience requirements (04/18/24)

- a. Net worth and minimum servicing volume requirements (04/18/24)
- b. Additional financial requirements for non-SBL Seller/Services (02/28/20)
- c. Additional requirements and considerations for SBL Mortgages (02/28/20)

3.4 Service-only net worth requirements (01/01/11)

3.5 Annual Certification Report (02/06/17)

- a. Multifamily Annual Certification Report, Form 16M (02/06/17)
- b. Multifamily Annual Certification Report – Multifamily Structured Transaction & Tax-Exempt Bond Seller/Services, Form 17M (02/06/17)
- c. Multifamily Annual Certification Report – Service Only, Form 1110M (05/11/10)

3.6 Reporting requirements for internal control and mortgage bankers quarterly financial report (12/16/21)

- a. Internal control report (12/16/21)
- b. Mortgage bankers quarterly financial report (02/07/08)

3.7 Seller/Service numbers (06/27/19)

- a. Use by Seller/Services (06/27/19)
- b. Use by affiliates of Seller/Services (06/27/19)

3.8 ~~Seller/Service change notification requirements (12/14/23)~~ [Seller/Service change notification requirements \(06/13/24\)](#)

- a. ~~Seller/Service changes requiring 60-day advance notice and Freddie Mac approval (12/14/23)~~ [Seller/Service changes requiring 60-day advance notice and Freddie Mac approval \(06/13/24\)](#)
- b. Seller/Service changes requiring 30-days' notice to Freddie Mac (02/16/23)
- c. Seller/Service changes requiring 14-days' notice to Freddie Mac (02/16/23)
- d. ~~Seller/Service changes requiring immediate notice to Freddie Mac (10/21/21)~~ [Seller/Service and parent changes requiring immediate notice to Freddie Mac \(06/13/24\)](#)
- e. ~~Seller/Service changes requiring subsequent notice to Freddie Mac (08/18/22)~~ [Seller/Service changes requiring subsequent notice to Freddie Mac \(06/13/24\)](#)

3.9 Seller/Service Material Vendor change notification requirements (06/15/23)



3.10 Loans-in-process and existing Mortgages (07/31/12)

- a. Special terms (02/07/08)
- b. Existing Mortgages (07/31/12)
- c. Commitment, delivery and purchase of Loans-in-Process (02/07/08)
- d. Categories of Loans-in-Process (07/31/12)

3.11 Disposition of application; confidentiality (02/07/08)

3.12 Changes that affect Seller/Servicer's single-family Freddie Mac approval (02/07/08)

3.13 Additional requirements applicable to TAH Seller/Servicers (08/18/22)

3.14 Additional requirements applicable to Seniors Housing Seller/Servicers (09/01/16)

3.15 ~~Additional requirements applicable to Seller/Servicers (12/14/23)~~ [Additional requirements applicable to Seller/Servicers \(01/01/25\)](#)

- a. ~~Policies and procedures (10/20/22)~~ [Policies and procedures \(01/01/25\)](#)
- b. Additional requirements applicable to SBL Seller/Servicers (12/14/23)
- c. Additional requirements applicable to Seller/Servicers with broker or correspondent relationships (12/14/23)

3.16 Seller/Servicer's fidelity and errors & omissions insurance coverage (02/16/23)

- a. Acceptable insurer (09/26/19)
- b. Seller/Servicer fidelity insurance coverage (09/26/19)
- c. Seller/Servicer errors & omissions (E&O) insurance coverage (09/26/19)
- d. Documentation of fidelity and E&O insurance (02/16/23)
- e. Blended fidelity and E&O insurance policies (02/16/23)
- f. Reinstatement of coverage (02/16/23)
- g. Self-insurance and Fidelity and/or E&O insurance provided by a captive insurance company (09/26/19)
- h. Other Seller/Servicer obligations for fidelity and E&O insurance (02/16/23)

3.17 Non-discrimination (12/14/23)



3.1 Freddie Mac Seller/Servicer requirements

and designations (06/15/23)

All Freddie Mac Seller/Servicers must:

- Be a permanent organization and an ongoing concern
- Be properly authorized to do business in each jurisdiction in which it engages in origination or Servicing
- Be:
 - Organized under federal law, or
 - Organized under the laws of one of the 50 States, the District of Columbia, Guam, Puerto Rico or the Virgin Islands, or
 - A United States-domiciled branch or subsidiary of a foreign entity

Freddie Mac, in its sole discretion, may approve a Seller/Servicer as one or more of the designations below in Sections 3.1(a) through (c). See Section 3.1(d) for the Prescreen and Application Processes and fees.

a. Optigo Lender (06/15/23)

An Optigo Lender must meet Freddie Mac's eligibility requirements, including the net worth requirements in Section 3.3, and must be approved by Freddie Mac. Optigo Lenders are approved to originate, sell, and service Mortgages for Freddie Mac, as follows:

1. Optigo Conventional Lender

Freddie Mac may approve a Seller/Servicer to originate conventional Mortgages for sale to Freddie Mac on an ongoing basis, and to service those Mortgages. Such a Seller/Servicer will be designated as an Optigo Conventional Lender. In the Guide, an Optigo Conventional Lender will be referred to as a Conventional Seller/Servicer.

2. Optigo Targeted Affordable Housing (TAH) Lender

Freddie Mac may approve a Seller/Servicer to originate Targeted Affordable Housing Mortgages for sale to Freddie Mac on an ongoing basis, and to service those Mortgages. Such a Seller/Servicer will be designated as an Optigo Targeted Affordable Housing (TAH) Lender. In the Guide, an Optigo TAH Lender will be referred to as a TAH Seller/Servicer.

Section 3.13 outlines additional requirements applicable to TAH Seller/Servicers. Once approved, a TAH Seller/Servicer will be permitted to originate loans for Targeted Affordable Housing properties in every State.

3. Optigo Small Balance Loan Lender

Freddie Mac may approve a Seller/Servicer to originate Small Balance Loan Mortgages for sale to Freddie Mac on an ongoing basis, and to service those Mortgages. Such a



Seller/Servicer will be designated as an Optigo Small Balance Loan (SBL) Lender. In the Guide, an Optigo SBL Lender will be referred to as an SBL Seller/Servicer.

Section 3.15 outlines additional requirements applicable to SBL Seller/Servicers.

4. Optigo Seniors Housing Lender

Freddie Mac may approve a Seller/Servicer to originate Seniors Housing Mortgages for sale to Freddie Mac on an ongoing basis, and to service those Mortgages. Such a Seller/Servicer will be designated as an Optigo Seniors Housing Lender. In the Guide, an Optigo Seniors Housing Lender will be referred to as a Seniors Housing Seller/Servicer.

Section 3.14 outlines additional requirements applicable to Seniors Housing Seller/Servicers. Once approved, a Seniors Housing Seller/Servicer will be permitted to originate loans for Seniors Housing properties in every state.

b. Freddie Mac Multifamily Structured Transaction Seller/Servicer (05/11/10)

Freddie Mac may approve a Seller/Servicer to originate Mortgages for sale to Freddie Mac, and to service those Mortgages, only in connection with one or more Structured Transactions. This designation includes Seller/Servicers who have been approved for tax-exempt bond securitization (TEBS) transactions. Such a Seller/Servicer will be designated as a Freddie Mac Multifamily Approved Structured Transaction Seller/Servicer.

c. Freddie Mac Multifamily Servicing-only approval (06/17/21)

Freddie Mac has approved certain existing customers as Servicers only, authorized only to service Mortgages for Freddie Mac. If the applicant is approved as a Servicer only, it may neither originate Mortgages for sale to Freddie Mac nor represent itself as a Freddie Mac Seller. Subject to Freddie Mac approval, the Servicer may purchase Freddie Mac Servicing and may continue to service any Freddie Mac Mortgages that it has in its servicing portfolio.

d. Prescreen and Application Processes and fees (06/15/23)

To begin the process to become an approved Freddie Mac Seller/Servicer, the applicant must submit the Notification of Interest Form found at <https://mf.freddiemac.com/lenders/eligibility/>. The web form requires confirmation that the applicant has reviewed Freddie Mac's (i) eligibility requirements in this Chapter 3 and (ii) sustainability overview.

Freddie Mac will evaluate the applicant following the Prescreen Process and Application Process detailed in the Optigo Lender Application Roadmap.

Freddie Mac will charge a fee due during the Prescreen Process ("Prescreen Review Fee") and an application fee during the Application Process to cover the costs of evaluating the Seller/Servicer's application to become an approved Freddie Mac Seller/Servicer.

Effective for all new requests beginning on June 15, 2023, the Prescreen Review Fee is as follows:



Prescreen Review Fee		
Designation	Fee	Notes
Conventional Seller/Servicer	\$5,000	<ul style="list-style-type: none"> Freddie Mac may adjust the fee based on prior approval and transaction type There is no additional fee for an approved Conventional Seller/Servicer to become an approved Seniors Housing Seller/Servicer
TAH Seller/Servicer		
SBL Seller/Servicer		

Effective for all new requests beginning on June 17, 2021, the application fee to become an approved Freddie Mac Seller/Servicer is as follows:

Application fee to become an approved Seller/Servicer		
Designation	Fee	Notes
Conventional Seller/Servicer	\$50,000	<ul style="list-style-type: none"> Freddie Mac may adjust the fee based on prior approval and transaction type There is no additional fee for an approved Conventional Seller/Servicer to become an approved Seniors Housing Seller/Servicer
TAH Seller/Servicer		
SBL Seller/Servicer		
Servicer-only	\$50,000	

Effective for all new requests beginning on February 18, 2021, the application fee to become an approved Freddie Mac Structured Transaction Seller/Servicer on a **per transaction basis** is as follows:

Application fee to become an approved Structured Transaction Seller/Servicer		
Designation	Fee	Notes
Structured Transaction Seller/Servicer that will both sell and service the Mortgage	\$30,000	<ul style="list-style-type: none"> The fee is valid for 12 months if the Structured Transaction Seller/Servicer returns with the same transaction structure and



Application fee to become an approved Structured Transaction Seller/Servicer		
Designation	Fee	Notes
		the same approved Seller/Servicers <ul style="list-style-type: none"> The fee is reduced by 50 percent if the Structured Transaction Seller/Servicer returns beyond 12 months with the same transaction structure and the same approved Seller/Servicers
Structured Transaction Seller-only	\$15,000	Same notes as above plus: <ul style="list-style-type: none"> The servicing must be performed by a current Optigo Servicer The fee must be paid by the Structured Transaction Seller, not the current Optigo Servicer performing the servicing

3.2 Branch production offices and geographic areas for Optigo Conventional Lenders (Conventional Seller/Servicers) (06/15/23)

Freddie Mac, in its sole discretion, approves Conventional Seller/Servicers to originate business nationwide.

Each Conventional Seller/Servicer is responsible for managing its active branch production offices, including creating and terminating such branch offices, and more generally determining that each branch production office engaged in Freddie Mac Multifamily business are fully trained, experienced, and qualified before submitting any loans into Freddie Mac for quote.

Should Freddie Mac, in its sole discretion, determine that a branch production office is not qualified to submit loans to Freddie Mac, it may result in Freddie Mac rejecting submissions from the office, reducing the geographic area of the Conventional Seller/Servicer, and/or placing the Conventional Seller/Servicer on probation.



3.3 Financial eligibility minimum servicing volume and experience requirements (04/18/24)

a. Minimum net worth and other financial eligibility requirements, and minimum servicing volume and experience requirements (04/18/24)

These requirements are effective for financial reporting for the period ending June 30, 2024.

The financial eligibility requirements must be met on a quarterly basis.

Each applicant seeking to become an approved Seller/Servicer must have a minimum of two years of audited financial history and meet the minimum standards below as of the date of the application.

Eligibility topic	Requirement
Minimum tangible net worth	Greater of: \$7.5 million OR \$2.5 million plus 10 bps of total servicing portfolio UPB
Minimum capital ratio	≥ 6%
Minimum Liquid Assets	\$500,000
Minimum volume of servicing portfolio and servicing experience	\$750 million of mortgages secured by multifamily and/or commercial properties AND Three years' experience servicing commercial and/or multifamily securitized loans, consisting of a minimum of 100 securitized loans

For purposes of determining compliance with the requirements of this section:

- Tangible net worth = net worth (as determined in accordance with generally accepted accounting principles (GAAP)), less restricted cash, less receivables due from related parties, less goodwill and other intangible assets, less carrying value of pledged assets, less restricted retained earnings, less deferred tax assets
- Capital ratio = tangible net worth / total assets



b. Additional financial requirements for non-SBL

Seller/Servicers (02/28/20)

The Seller/Servicer must demonstrate to Freddie Mac that it has sufficient capitalization, profitability, Liquidity and funding sources to support its ongoing operations and its commitments to Freddie Mac.

Freddie Mac will periodically review the Seller/Servicer’s financial condition and the sufficiency of Seller/Servicer’s financial capacity will be determined by Freddie Mac in its sole discretion.

c. Additional requirements and considerations for SBL Mortgages (02/28/20)

In addition to meeting the financial requirements of Section 3.3(a), an SBL Seller/Servicer must have sufficient resources to support the Seller’s SBL Obligations (as described in Chapter 46SBL).

Freddie Mac will require the SBL Seller/Servicer to post the SBL Collateral (as described in Chapter 46SBL) to ensure that it is able to meet its SBL Obligations. For an SBL Seller/Servicer, letters of credit and cash provided to secure its SBL Obligations will be considered as part of its financial strength.

Freddie Mac will periodically review the SBL Seller/Servicer’s financial condition including capitalization, profitability, Liquidity and funding sources (including letters of credit and cash provided) to ensure that each SBL Seller/Servicer maintains sufficient financial capacity.

3.4 Servicer-only net worth requirements (01/01/11)

Each Servicer that is not approved to sell multifamily Mortgages to Freddie Mac, but that is approved by Freddie Mac only for Servicing multifamily Mortgages, must comply at all times with the following minimum net worth requirements:

Net worth category	Requirement
Minimum net worth according to GAAP	\$1 million

3.5 Annual Certification Report (02/06/17)

a. Multifamily Annual Certification Report, Form 16M (02/06/17)

1. Seller/Servicer requirement to submit Form 16M

Seller/Servicers with the following designations must submit a complete and accurate Form 16M, Multifamily Annual Certification Report, with all required attachments described in the Form 16M instructions, in accordance with the requirements of this section:

- Freddie Mac Multifamily Approved Conventional Seller/Servicer
- Freddie Mac Multifamily Approved TAH Seller/Servicer
- Freddie Mac Multifamily Approved SBL Seller/Servicer



Freddie Mac requires the submission of Form 16M even if the Seller/Servicer is currently suspended from selling Mortgages to Freddie Mac.

2. Form 16M reporting requirements

Each Seller/Servicer required to complete Form 16M must use the Multifamily Eligibility System, available at mf.freddiemac.com/lenders/guide, to complete the Form and to submit it to Freddie Mac.

Form 16M must be submitted to Freddie Mac within 90 days after the end of the Seller/Servicer's fiscal year and in accordance with the provisions of Section 2.14. The Seller/Servicer must use its fiscal year-end results when completing Form 16M.

Form 16M must be executed by the Seller's or Servicer's authorized representative following the instructions found on the form. Any attachments as required in the Form 16M instructions may be submitted following the instructions found on the form.

b. Multifamily Annual Certification Report – Multifamily Structured Transaction & Tax-Exempt Bond Seller/Servicers, Form 17M (02/06/17)

1. Each Freddie Mac Multifamily Structured Transaction Seller/Servicer, including each Seller/Servicer approved for tax-exempt bond securitization (TEBS) transactions, must complete Form 17M within 90 days of the end of the Seller/Servicer's fiscal year. Each such Seller/Servicer must complete every applicable section of the most current version of the report form, or its filings will be returned and its eligibility to participate in Freddie Mac programs may be suspended.

Freddie Mac requires the submission of Form 17M even if the Seller/Servicer is currently suspended from selling Mortgages to Freddie Mac.

2. Each Seller/Servicer required to complete Form 17M must use the Multifamily Eligibility System, available at mf.freddiemac.com/lenders/guide, to complete the Form and to submit it to Freddie Mac.

The Seller/Servicer must submit the completed Form 17M and required accompanying reports within 90 days after the end of the Seller/Servicer's fiscal year following the instructions found on the form.

c. Multifamily Annual Certification Report – Servicer Only, Form 1110M (05/11/10)

Annually, a Servicer that is not approved to sell multifamily Mortgages to Freddie Mac, but that is approved by Freddie Mac only for Servicing of multifamily Mortgages, must submit Form 1110M in accordance with Chapter 39.



3.6 Reporting requirements for internal control and mortgage bankers quarterly financial report (12/16/21)

a. Internal control report (12/16/21)

Each Seller/Servicer that is not an institution regulated by a federal agency must submit the internal control report with the Seller/Servicer's financial audit. The internal control report must be a separate report stating whether the independent public accountant (IPA) noted any material weaknesses during the audit of the financial statements. The report must be prepared in compliance with the elements set forth in AU-C 940.55.

b. Mortgage bankers quarterly financial report (02/07/08)

Each Seller/Servicer that is a mortgage banker must submit a complete and accurate Form 1055, Mortgage Bankers Financial Reporting Form, on a quarterly basis. For reporting purposes, mortgage bankers are firms, other than federally insured depositories, that originate mortgages for sale in the secondary market and/or service mortgages. This definition includes Seller/Servicers that are mortgage banker subsidiaries of federally insured depositories.

Each Seller/Servicer that is a mortgage banker must submit Form 1055 in accordance with the following requirements:

- For reporting periods ending March 31, June 30 or September 30, the Seller/Servicer must file Form 1055 no later than 30 days after the end of the reporting period. For reporting periods ending on December 31, the Seller/Servicer must file Form 1055 no later than 60 days after the end of the reporting period. Mortgage bankers with fiscal years that do not end on December 31 should refer to the instructions that accompany Form 1055 online at www.mbfrf.org before completing the report.
- The Seller/Servicer must complete and submit Form 1055 online at <https://www.mbfrf.org>. Seller/Servicers may print Form 1055 from the website, as well as obtain instructions on how to complete the form.

3.7 Seller/Servicer numbers (06/27/19)

a. Use by Seller/Servicers (06/27/19)

Freddie Mac will issue a Seller/Servicer number to each approved institution. A Seller/Servicer may have more than one Seller/Servicer number if, in addition to having been approved as a Conventional Seller/Servicer, it has also been approved with a different designation, such as a TAH Seller/Servicer, or if it has merged with or acquired another Seller/Servicer.

Unless stated otherwise in the Purchase and Servicing documents, the Seller/Servicer or the Servicer must conduct all business with Freddie Mac with respect to a particular Mortgage under the Seller/Servicer number that was used in connection with the acceptance of the Letter of Commitment for that Mortgage.

If the Letter of Commitment's agreement-to-service provisions provide for a separate entity to service the Mortgage, the Servicer must conduct all Servicing business with respect to a Mortgage under the Seller/Servicer number that was used in the Letter of Commitment's agreement-to-service provisions.



If Freddie Mac approves a transfer of the Servicing of the Mortgage, then the transferee Servicer must conduct all business with Freddie Mac with respect to the Mortgage under the Seller/Servicer number under which it was approved as a transferee Servicer.

b. Use by affiliates of Seller/Servicers (06/27/19)

An affiliate of a Seller/Servicer or Servicer, acting on behalf of the Seller/Servicer or Servicer, in the Seller/Servicer's or Servicer's name, and under the Seller/Servicer's or Servicer's Freddie Mac Seller/Servicer number, must obtain separate Freddie Mac approval.

The Seller/Servicer or Servicer remains fully liable to Freddie Mac under the Purchase and Servicing Documents with respect to any Mortgage originated, sold to, or serviced for Freddie Mac by the affiliate on behalf of the Seller/Servicer or Servicer.

3.8 Seller/Servicer change notification requirements (~~12/14/23~~06/13/24)

This section sets forth the requirements to notify Freddie Mac of Seller/Servicer changes and defines the required notification time, information requirements and related fees, where applicable. Freddie Mac reserves the right to evaluate information related to the Seller/Servicer change and to take any action it deems necessary. All organizational change notifications required by this Section 3.8 must be reported to Freddie Mac using Form 1107M. The Seller/Servicer's authorized representative must send a signed copy of the form via email to Multifamily_Eligibility@FreddieMac.com.

a. Seller/Servicer changes requiring 60-day advance notice and Freddie Mac approval (~~12/14/23~~06/13/24)

1. Major changes require 60-day advance notice and Freddie Mac prior written approval

A Seller/Servicer must request Freddie Mac's prior written approval at least 60 days before any major change occurs in its ownership or organization by submitting Form 1107M, completing Section A and Section(s) B, C, D or E (as applicable), following the directions on the form. To maintain its eligibility after a major change, the Seller/Servicer must obtain Freddie Mac's written approval prior to such major change. Freddie Mac may require more than 60 days to review the request and respond, in which case Freddie Mac will promptly advise the Seller/Servicer of the need for additional time.

Such major changes include:

- a. Transfer of ownership interests that results in any person or entity directly or indirectly owning a percentage of ownership interests that results in a Change of Control
- b. Transfer by the Seller/Servicer of all or most of its assets or the assets of a subsidiary or a related entity that performs a mortgage-related function
- c. Merger, acquisition or consolidation (including a regulatory agency-assisted transaction)
- d. A major change in the Seller/Servicers' organization that has an effect on the operational capabilities of the Seller/Servicer as it relates to its business with Freddie Mac, including but not limited to, plans for significant staff reduction or significant restructuring of teams associated with production, underwriting or servicing in any capacity for Freddie Mac



- ~~e.~~ Performance of any Freddie Mac-required functions by a subsidiary or other related organization
- ~~f.~~ ~~d.~~ Change in its charter regarding its purpose or authority
- ~~g.~~ ~~e.~~ Conversion (such as a thrift institution converting from mutual to stock form)
- ~~f.~~ ~~Performance of any Freddie Mac-required functions by a subsidiary or other related organization~~
- ~~h.~~ ~~g.~~ Contracting with a Servicing Agent for the performance of Freddie Mac Servicing (note: the Servicing Agent chosen by the Servicer must have prior Freddie Mac approval to service the requested collateral type), or
- ~~i.~~ ~~h.~~ A change of the Seller/Servicer's fiscal year end, ~~or~~
- ~~i.~~ ~~A major change in the Seller/Servicers' organization that has an effect on the operational capabilities of the Seller/Servicer as it relates to its business with Freddie Mac, including but not limited to, plans for significant staff reduction or significant restructuring of teams associated with production, underwriting or servicing in any capacity for Freddie Mac~~

2. Information required for Freddie Mac approval of the change request

As a part of the request for Freddie Mac approval of the major change, the Seller/Servicer must submit each of the applicable items listed below along with the request for approval of the change at least 60 days prior to the proposed effective date of the change:

- ~~a.~~ ~~A Form 1107M, completing Section A and Section(s) B, C, D or E (as applicable), following the directions on the form~~
- ~~a.~~ ~~b.~~ For major changes a through e in Section 3.8(a)1 above, a \$30,000 nonrefundable processing fee. The Seller/Servicer must remit the fee to Freddie Mac by wire transfer. Before submitting the Form 1107M and remitting the fee, the Seller/Servicer must call Freddie Mac *Multifamily Counterparty Risk & Compliance* to obtain wire transfer instructions. The Seller/Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must include the Seller/Servicer number and the Freddie Mac contact person
- ~~b.~~ A written summary explaining the transaction
- ~~c.~~ Organizational As applicable, organizational charts including functional and corporate organizational charts showing the corporate structure of the new entity, including reporting relationships and full legal names of each person or entity shown on the organizational charts
- ~~d.~~ Resumes of managing executives and key personnel, if changing
- ~~e.~~ If the entity resulting from the acquisition or merger is not a currently approved Freddie Mac Seller/Servicer, audited financial statements for that entity, or officer-certified financials or audited financials of the entity's parent company
- ~~f.~~ Pre As applicable, pro forma balance sheet for the resulting entity



g. ~~Copies~~ [As applicable, copies](#) of any applicable regulatory approvals

~~h. A written summary explaining the transaction~~

3. Information required at Freddie Mac's discretion

Freddie Mac may require the Seller/Servicer to provide additional information related to the proposed transaction, including [but not limited to](#):

- Information regarding financing of the transaction
- Copies of revised organizational documents
- Confirmation regarding change to the Named Insured
- Certificate of good standing for the resulting entity or transferee

4. Issues for Seller/Servicer analysis and submission required at Freddie Mac's discretion

As part of the review and approval process, Freddie Mac may also require the Seller/Servicer to address issues relating to:

- Custodial Accounts
- Change of Named Insured on all insurance policies
- Transfer of Servicing (see Chapter 42 and Transfer of Servicing Agreement – Form 981M)
- Personnel retention
- Minimum net worth
- Standard & Poor's rating
- Assumption of liability
- Evidence of fidelity and E&O coverage
- Evidence of good standing with creditors and investors

b. Seller/Servicer changes requiring 30-days' notice to Freddie Mac (02/16/23)

At least 30 days prior to the effective date of either of the following changes, the Seller/Servicer must submit Form 1107M, Multifamily Seller/Servicer Change Notification, completing Section A and Section B (as applicable) following the directions on the form:

1. The Seller/Servicer will change its name
2. The Seller/Servicer will employ or change a "Doing Business As" ("DBA") name



c. Seller/Servicer changes requiring 14-days' notice to Freddie Mac (02/16/23)

At least 14 days prior to the effective date of any of the following changes, if the changes are not as the result of a transaction addressed in Section 3.8(a), the Seller/Servicer must submit Form 1107M, Multifamily Seller/Servicer Change Notification, completing Section A and Section(s) B, C, D or E (as applicable) following the directions on the form:

1. The Seller/Servicer will change its address
2. The Seller/Servicer will change any of its banking relationships, including a change in the institution to which or from which Freddie Mac funds are wired
3. Any contract between a Seller/Servicer and a vendor, that will have or is reasonably likely to have a Material Adverse Effect, which for the purposes of this Section 3.8, shall mean any event or circumstance having a material adverse effect on:
 - The Seller/Servicer's ability to perform its obligations under the Purchase and Servicing Documents
 - Freddie Mac's interests as an assignee
 - A class or significant group of Borrowers, and/or
 - The economic interests of Freddie Mac or an investor of a Securitization

d. Seller/Servicer and parent changes requiring immediate notice to Freddie Mac (10/21/2106/13/24)

A Seller/Servicer must notify Freddie Mac ~~no later than one Business Day~~ after the occurrence of any of the following events ~~listed in this section~~.

With respect to a Seller/Servicer, such notice must be provided no later than one Business Day after the occurrence of the applicable event.

With respect to any person or entity with either a direct or indirect controlling interest in Seller/Servicer or an aggregate direct or indirect ownership interest in Seller/Servicer of 25% or more (a "Seller/Servicer Parent"), such notice must be provided no later than one Business Day after the Seller/Servicer has knowledge of the applicable event.

1. The Seller/Servicer or a Seller/Servicer Parent has:
 - Filed a voluntarily bankruptcy petition under the United States Bankruptcy Code
 - Become the subject of an order for relief issued in any involuntary bankruptcy proceeding, or
 - Become the subject of any reorganization, receivership, insolvency or similar proceeding under State or federal law
2. A trustee, receiver, custodian, conservator, liquidator or similar entity or individual has been appointed for the Seller/Servicer or a Seller/Servicer Parent or its property
3. Any agency of the federal or State government has placed the Seller/Servicer or a Seller/Servicer Parent on probation or restricted its activities in any manner



4. The Seller/Servicer [or a Seller/Servicer Parent](#) has become subject to any judgment, order, finding or regulatory action that would adversely affect the Seller/Servicer's ability to comply with the terms and conditions of the Purchase and Servicing Documents
5. The Seller/Servicer has changed its fiscal year end, not in connection with a transaction addressed in Section 3.8(a)
6. A secondary market agency has terminated its business relationship with the Seller/Servicer [or a Seller/Servicer Parent](#)
7. The Seller/Servicer's [or a Seller/Servicer Parent's](#) warehouse credit line has been terminated
8. The Seller/Servicer [or a Seller/Servicer Parent](#) has violated any financial covenants in its warehouse lending agreement
9. With respect to any dispute, litigation or other adversary proceeding with a vendor that may have a Material Adverse Effect:
 - (a) Receives notice of a dispute not subject to litigation or other adversary proceeding, no later than one Business Day after Seller/Servicer's reasonable determination that such dispute may have a Material Adverse Effect;
 - (b) Initiates litigation or other adversary proceedings asserting claims by or on behalf of the Seller/Servicer that may have a Material Adverse Effect, no later than one Business Day after the initiation of such litigation or proceedings; and
 - (c) Receives notice of litigation or other adversary proceedings asserting claims against the Seller/Servicer that may have a Material Adverse Effect, no later than one Business Day after notice to the Seller/Servicer of any such litigation or proceedings

Within one Business Day after the occurrence of any of the above events, the Seller/Servicer must submit Form 1107M, Multifamily Seller/Servicer Change Notification, completing Section A and Section(s) B, C, D or E (as applicable), following the directions on the form.

Freddie Mac may require the Seller/Servicer to provide additional information concerning the event such as copies of any pleadings or other documents related to the dispute, litigation or other adversary proceedings.

e. [Seller/Servicer changes requiring subsequent notice to Freddie Mac \(08/18/2206/13/24\)](#)

Within 30 calendar days following the occurrence of any of the events set forth in this Section 3.8(e), the Seller/Servicer must submit Form 1107M, Multifamily Seller/Servicer Change Notification, completing Section A and Section(s) B, C, D or E (as applicable), following the directions on the form. Freddie Mac may also require the Seller/Servicer to provide additional information concerning the event.

1. There has been a change in the Seller/Servicer's managing executives, key operating personnel, or the membership of its board of directors, not in connection with a transaction addressed in Section 3.8(a).



- Managing executives and key personnel are defined as officers of the company as well as Chief Underwriter, Chief Architect, Chief Servicing Officer, Chief Compliance Officer, [Chief Information Security Officer](#), Multifamily Eligibility contact and division heads or equivalents in the following mortgage-related functions:
 - mortgage originations
 - operations
 - secondary marketing
 - servicing
 - Additionally, for changes to Seller/Servicer managing executives, key operating personnel, or the membership of its board of directors, the Seller/Servicer must submit a resume for each new individual or individual entering a new role, whether or not Freddie Mac approval is required.
2. There has been a change in the Seller/Servicer's top five major investors
 3. There has been a change in the Seller/Servicer's external auditor
 4. There has been a change to the Seller/Servicer email domain name

3.9 Seller/Servicer Material Vendor change notification requirements (06/15/23)

The Seller/Servicer must update the Vendor Inventory in the Multifamily Eligibility System within 10 Business Days of the date of onboarding or termination of a Material Vendor.

For the purposes of this Section 3.9:

- The date of onboarding is the date when the Material Vendor begins to provide services to the Seller/Servicer
- The date of termination is the date when:
 - The contract with the Material Vendor ends, or
 - The Seller/Servicer makes a determination that the Material Vendor is no longer providing services to the Seller/Servicer

Refer to the Material Vendors web page on mf.freddiemac.com for more details and examples of Material Vendors.

3.10 Loans-in-process and existing Mortgages (07/31/12)

a. Special terms (02/07/08)

For purposes of this section, the following terms will have the meanings indicated:

1. Acquired Entity



The Seller/Servicer(s) that will be acquired by, or that will merge into, the Resulting Entity

2. Loan-in-Process

A Mortgage that has been assigned a Freddie Mac loan number

3. Resulting Entity

The Seller/Servicer that will acquire the Acquired Entity, or that will result from the merger of two or more Seller/Servicers

4. Effective Date

The effective date of the acquisition or merger

b. Existing Mortgages (07/31/12)

With respect to all Mortgages sold to Freddie Mac by the Acquired Entity and all Mortgages serviced by or on behalf of the Acquired Entity for Freddie Mac, as of the Effective Date, the Resulting Entity will be obligated for all representations and warranties with respect to the Mortgages that are set forth in the fully-executed Commitment, this Guide and any other Purchase and Servicing Documents, including any other agreements between or among the Acquired Entity and Freddie Mac. All references to the “Seller” or “Seller/Servicer” in the representations and warranties, including references to the knowledge of the “Seller” or to acts or disclosures of the “Seller,” will be deemed to refer to the Resulting Entity.

As of the Effective Date, for purposes of the representations and warranties, any knowledge of either of the Acquired Entity or the Resulting Entity will be attributed to the Resulting Entity, and any acts or disclosures by either of the Acquired Entity or the Resulting Entity prior to Freddie Mac's purchase of a Mortgage will be deemed to have been committed or made by the Resulting Entity.

c. Commitment, delivery and purchase of Loans-in-Process (02/07/08)

1. In the case of a Loan-in-Process, “Seller's full underwriting package” in the “Material Differences” provision of the Commitment will be deemed to refer to any full underwriting package submitted by the Acquired Entity with respect to that Loan-in-Process, together with any underwriting information submitted by the Resulting Entity.
2. As of the Effective Date, the Resulting Entity will be obligated for all representations and warranties with respect to the Loans-in-Process that are set forth in the fully-executed Commitment, the Guide and any other Purchase and Servicing Documents. All references to the “Seller” or “Seller/Servicer” in the representations and warranties, including references to the knowledge of the “Seller” or to acts or disclosures of the “Seller,” will be deemed to refer to the Resulting Entity. As of the Effective Date, for purposes of the representations and warranties, any knowledge of either of the Acquired Entity or the Resulting Entity will be attributed to the Resulting Entity, and any acts or disclosures by either of the Acquired Entity or the Resulting Entity prior to Freddie Mac's purchase of a Loan-in-Process will be deemed to have been committed or made by the Resulting Entity.



3. Upon Freddie Mac's purchase of each Loan-in-Process, the Resulting Entity must service the Loan-in-Process in accordance with the applicable fully-executed Commitment, the Guide and any other Purchase and Servicing Documents.

d. Categories of Loans-in-Process (07/31/12)

Upon the effective date of an acquisition of a Seller/Servicer or the merger of two Seller/Servicers, the commitment, delivery and purchase for Loans-in-Process will be completed as described in whichever of the following subsections (1) through (4) is applicable to that Loan-in-Process, and in accordance with the provisions in Section 3.10(c).

1. Loans-in-Process that are the subject of fully-executed Commitments and have been originated by the Acquired Entity before the Effective Date, but have not been purchased by Freddie Mac as of the Effective Date

The Resulting Entity represents and warrants to Freddie Mac that the Acquired Entity has originated each Loan-in-Process in this category that has not yet been delivered to Freddie Mac, since Freddie Mac has no independent knowledge that a Mortgage has been originated until it receives delivery of that Mortgage.

As the successor to the Acquired Entity, the Resulting Entity assumes all of the obligations of the Acquired Entity under each such fully-executed Commitment as of the Effective Date. Each such Loan-in-Process that has not been delivered to Freddie Mac as of the Effective Date may be delivered to Freddie Mac by either the Resulting Entity or, so long as the Acquired Entity remains a legal entity, the Acquired Entity. Freddie Mac will wire the purchase price for each such Loan-in-Process in accordance with the wire transfer instructions included in the Final Delivery Package for the Loan-in-Process.

2. Loans-in-Process that are the subject of fully-executed Commitments but have not been originated by the Acquired Entity before the Effective Date

As the successor to the Acquired Entity, the Resulting Entity assumes all of the obligations of the Acquired Entity under each such fully-executed Commitment as of the Effective Date. If interest rate-lock under any such fully-executed Commitment has not been completed as of the Effective Date, the Resulting Entity will complete the interest rate-lock. The Resulting Entity will originate each such Loan-in-Process and will deliver it to Freddie Mac.

3. Loans-in-Process for which Freddie Mac has issued commitments that have not become fully-executed Commitments because the Acquired Entity has not accepted the Commitments before the Effective Date

As the successor to the Acquired Entity, the Resulting Entity assumes all of the rights of the Acquired Entity under each such issued Commitment as of the Effective Date. The Resulting Entity may accept each such Commitment by following the acceptance procedure set forth in Section 17.11(b), whereupon the accepted Commitment will become a fully-executed Commitment between Freddie Mac and the Resulting Entity. The Resulting Entity will complete the interest rate-lock under each such fully-executed Commitment, originate the related Loan-in-Process and deliver that Loan-in-Process to Freddie Mac.



4. Loans-in-Process for which the Acquired Entity has submitted early rate-lock applications to Freddie Mac that Freddie Mac has not yet executed (accepted) as of the Effective Date

For each such Loan-in-Process, as of the Effective Date, the Resulting Entity makes an irrevocable offer to sell the Loan-in-Process to Freddie Mac on the terms and conditions described in the applicable early rate-lock application, which offer will be irrevocable through the Expiration Date specified in that application. Freddie Mac may accept any such offer at any time by executing the related early rate-lock application, whereupon the early rate-lock application will become a fully-executed Commitment between the Resulting Entity and Freddie Mac. The Resulting Entity will be substituted fully for the Acquired Entity as the offerer and Seller under each such application. If and when such an early rate-lock application or a resulting fully-executed Commitment requires a refund of the good faith deposit, Freddie Mac will make that refund to the Resulting Entity.

3.11 Disposition of application; confidentiality (02/07/08)

If a Seller/Servicer fails to seek or obtain any approval of Freddie Mac as required by this chapter, Freddie Mac may suspend or terminate with cause certain rights and approvals of the Seller/Servicer, including its right to sell Mortgages to Freddie Mac, in accordance with Chapters 4 and 48.

A Seller/Servicer may designate information submitted in connection with any notice or request for approval under this chapter as confidential. Freddie Mac will receive and hold all such confidential information in strict confidence, to be used only for Freddie Mac's internal review and approval process. Freddie Mac may release such confidential information to independent auditors, accountants, attorneys and other professionals acting on behalf of Freddie Mac or if ordered to do so by a court, regulator, administrative agency or other entity with enforceable subpoena power.

3.12 Changes that affect Seller/Servicer's single-family Freddie Mac approval (02/07/08)

The requirements of Sections 3.8 through 3.11 apply to entities selling multifamily Mortgages to Freddie Mac or servicing multifamily Mortgages for Freddie Mac. Requirements for notification to Freddie Mac of changes affecting the Seller/Servicer's single-family Freddie Mac activities may differ. Multifamily Seller/Servicers that are approved for both single-family and multifamily purposes must comply with both sets of requirements relating to changes in the Seller/Servicer's organization or status.

3.13 Additional requirements applicable to TAH Seller/Servicers (08/18/22)

Each TAH Seller/Servicer must have five or more years of experience in lending for affordable multifamily properties benefiting from:

- 9 percent Low Income Housing Tax Credits (LIHTC) as a source of capital
- Sources of capital specific to housing preservation
- Tax-exempt bond financing with or without LIHTC

Each TAH Seller/Servicer must develop and maintain expertise in the areas of affordable housing finance, including tax-exempt bond finance, and regulatory requirements affecting LIHTC, tax-exempt bonds and rental and operational subsidy programs. It must maintain successful working



relationships with third party professionals, such as appraisers with experience in evaluating affordable multifamily properties, construction and environmental engineers, architects and other affordable housing professionals. Each TAH Seller/Service must demonstrate that its current staffing plan is able to meet forecasted volumes.

In addition, each TAH Seller/Service must maintain specialized underwriting staff who are experienced and knowledgeable about underwriting debt financing for affordable multifamily properties. Specifically, each TAH Seller/Service must have:

- One or more TAH Underwriting Supervisors with approximately seven to 10 years of experience in underwriting affordable multifamily properties, to include those with:
 - 9 percent LIHTC equity as one of the capital sources for construction or rehabilitation
 - Other rental and operational subsidy programs for LIHTC and affordable multifamily properties
 - Capital, rental and operational subsidy programs designed to preserve affordable multifamily properties, including those with restrictive covenants
 - Tax-exempt bonds and LIHTC equity as capital sources
 - Forward commitments and substantial rehabilitations, if the TAH Seller/Service wishes to do Forward Commitments
- At least two Senior Underwriters with a minimum of five years of debt underwriting experience with LIHTC equity and other sources of capital for affordable multifamily properties

The TAH Underwriting Supervisor(s) must be approved by Freddie Mac as part of the TAH Seller/Service approval process, and at least one TAH Underwriting Supervisor must approve each prescreen package and underwriting package submitted to Freddie Mac. If a TAH Seller/Service wishes to change a staff member in the TAH Underwriting Supervisor position, it must submit a written request to Targeted Affordable Housing Home Office Underwriting, which may be in the form of an email. Freddie Mac will respond in writing with its decision.

Each TAH Seller/Service entering into a Forward Commitment must have designated staff with 10 or more years of experience with forward commitments, substantial rehabilitations and other construction-related loans for affordable multifamily properties. The Seller must ensure that it maintains on its staff or a relationship with a third party Chief Architect/Engineer with the following background:

- At least five years' experience in construction lending and the origination and management of construction loans, and
- A professional background or accredited degree in the field of engineering, architecture or construction management, or 10 years of experience and demonstrated knowledge of building materials and design, construction processes and documentation, cost analysis, and project scheduling

The Chief Architect/Engineer must review construction related information at commitment, during construction and at Conversion, in accordance with Guide Chapters 19A, 25A and 28A.



3.14 Additional requirements applicable to Seniors Housing Seller/Servicers (09/01/16)

Each Seniors Housing Seller/Servicer must maintain specialized staff that is experienced and knowledgeable in the structure and origination of Freddie Mac Seniors Housing mortgages. Specifically, each Seniors Housing Seller/Servicer must employ:

- At least one senior producer with a minimum of five to seven years of significant GSE loan origination experience with Seniors Housing properties. Relevant experience includes origination of independent living, assisted living, memory care, and Continuing Care Retirement Community (CCRC) property loans. The producer's experience in originating Seniors Housing loans for the portfolio of the Seller or other lenders will also be taken into consideration.
- At least one senior underwriter with a minimum of five to seven years of significant GSE loan underwriting experience for Seniors Housing properties. Relevant experience includes underwriting independent living, assisted living, memory care, and CCRC property loans. The underwriter's experience in underwriting Seniors Housing loans for the portfolio of the Seller or other lenders will also be taken into consideration.

In addition to the above requirements, each Seniors Housing Seller/Servicer must develop and maintain expertise in Seniors Housing evidenced by:

- A successful working relationship with third party professionals including appraisers with experience in evaluating Seniors Housing assets, inspection engineers, insurance consultants, and resident care survey consultants
- Demonstrated stable, clear roles and responsibilities for underwriting and credit oversight
- A thorough review of risks and mitigants in credit submission packages for all Seniors Housing transactions closed
- Clear, well considered, and supported recommendations that demonstrate an understanding of Freddie Mac's current underwriting parameters and risk tolerance for Seniors Housing transactions
- Retention of legal counsel experienced and competent in the structure, origination, and delivery of Freddie Mac Seniors Housing mortgages

3.15 Additional requirements applicable to Seller/Servicers (12/14/2301/01/25)

a. Policies and procedures (10/20/2201/01/25)

Seller/Servicers must adopt, maintain and administer written minimum policies and procedures that address doing business in compliance with Freddie Mac requirements, ~~including origination, underwriting, Servicing, asset management and investor reporting of multifamily Mortgages and Properties~~ in accordance with Section 2.19(a).

~~At least annually, Seller/Servicers must review and assess the adequacy of their policies and procedures to ensure compliance with the Guide and their other Purchase and Servicing Documents. Seller/Servicers must make their policies and procedures available to Freddie Mac upon request.~~



b. Additional requirements applicable to SBL

Seller/Servicers (12/14/23)

Each SBL Seller/Servicer must:

- Have access to dedicated resources that specialize in the origination and servicing of small balance loans
- Have a servicing portfolio consisting of small balance loans with a strong performance history
- Have a technology/systems platform supporting the origination, underwriting, closing and servicing of a large number of small balance loans, that is capable of:
 - Providing pricing of transactions
 - Tracking an SBL Mortgage from the price quote and origination of the SBL Mortgage to Servicing
 - Generating reports on the servicing portfolio, with the ability to identify Freddie Mac SBL Mortgages
 - Providing access to all areas of the Seller/Servicer’s organization that are involved in loan origination and Servicing
 - Capturing and providing data required by Freddie Mac
- Have a technology/systems platform that is capable of accepting ACH transactions

c. Additional requirements applicable to Seller/Servicers with broker or correspondent relationships (12/14/23)

1. **Broker; Correspondent.** The terms “broker” and “correspondent” refer to any individual and/or entity who arranges or otherwise brokers the Mortgage loan financing for the Property with the Seller/Servicer on behalf of the Borrower, whether such individual or entity is referred to as a broker, mortgage broker or a correspondent. For the purposes of this chapter, the terms “broker” and “correspondent” may sometimes be referred to together as “broker/correspondent.”
 - For acquisition financing, an investment sales team, investment sales team representative or listing agent retained by the Property seller and not otherwise engaged by the borrower in connection with the loan financing (for the purposes of these policies, individually or collectively referred as the “investment sales team”) will not be considered a “broker/correspondent” for the purposes of this chapter.
2. **Initial information.** The following requirements regarding brokers and correspondents must be satisfied:
 - A. **Non-Small Balance Loans.** For any loan that is not a Small Balance Loan:



- i. Broker and correspondent firms and individual names must be disclosed to Production at loan submission for a Quote request in the Loan Submission Template (LST).
 - ii. Quote requests involving a broker/correspondent must be accompanied by a confirmation from the Borrower that the Seller/Servicer is the sole lender authorized to submit the loan to Freddie Mac.
 - iii. The Optigo® Lender's Fee Certification – Conventional & Targeted Affordable Housing form must be submitted with delivery of the underwriting package for any transaction that involves a broker or correspondent.
- B. **Small Balance Loans.** For Small Balance Loans, the Seller/Servicer must complete the broker information (deal contacts) tab in the Pipeline Management Tool (PMT) at loan application and provide updates if the information changes at Full Underwriting.
- C. **Inspection process.** The broker/correspondent must not be involved in the Property inspection process. The Seller/Servicer must manage the inspection process in accordance with the inspection requirements set forth in Chapters 8 and 40. This also includes any inspections performed in connection with Freddie Mac required third-party reports or appraisals.
- D. **Due diligence; chain of custody.**
 - i. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and Borrower Principals (*i.e.*, rent rolls, aged receivables, operating statements, financial statements, etc., but excluding required reports ordered by the Seller/Servicer from third parties) must be delivered directly to the Seller/Servicer by the Borrower and Borrower Principals or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal, without the broker/correspondent being in the chain of custody of the documentation. Seller/Servicers must communicate directly with the Borrower and Borrower Principals or their authorized representatives with respect to source documentation, due diligence and other underwriting matters.
 - ii. For acquisition financing, Freddie Mac may provide a "soft quote" or "preliminary quote" to a Seller/Servicer based upon financial information obtained from the Property seller and provided to the Seller/Servicer by an investment sales team. However, for issuance of a Quote (as provided in Section 27.3 and other chapters), the source documents and due diligence must be delivered directly to the Seller/Servicer by the Borrower and Borrower Principals or the authorized representatives of such parties, as provided above.
 - iii. When a broker/correspondent arranges or otherwise brokers the Mortgage loan financing for the Property with the Seller/Servicer on behalf of the Borrower, the Seller/Servicer must preserve emails or other documentation regarding the Seller/Servicer's compliance with the due diligence and underwriting documentation chain of custody requirements set forth in this section.



iv. By submission of source documents, due diligence or other underwriting documentation to Freddie Mac, the Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with the requirements of this subsection.

- E. **Index Lock.** Prior to any Index Lock, for all transactions submitted to the Seller/Servicer through a broker/correspondent:
- i. The Seller/Servicer must either (a) have conducted a preliminary property inspection of the Property, consisting of the elements described in Section 8.15(a), or (b) for a refinance of a Freddie Mac Mortgage, have reviewed a servicing inspection of the Property completed in accordance with Chapter 40 and dated within 120 days from Index Lock and determined it was acceptable.
 - ii. The Seller/Servicer must have received source documentation and other due diligence directly from the Borrower as noted in Section 3.15(c)2.D. above, and in addition, for first-time sponsors only, financial statements for the proposed Borrower Principal(s) and, when applicable, the proposed Guarantor(s).
 - iii. The Seller/Servicer must submit the Optigo Lender's Index Lock Agreement Certification for Broker/Correspondent Loans.
- F. **Broker/Correspondent policies and searches.** When a Seller/Servicer engages a broker/correspondent or otherwise has an agreement to compensate a broker/correspondent for referring a Borrower to the Seller/Servicer in connection with the financing of Freddie Mac Mortgage(s), the Seller/Servicer must (i) develop and implement internal policies and procedures to address the broker/correspondent firm's business, including qualifications for determining acceptability, which must be periodically reviewed, as well as performance monitoring and quality control reviews, and (ii) complete a broker/correspondent background search periodically for both the firm and the individuals employed at the firms who are involved in the Mortgage transactions.
- NOTE: When a Seller/Servicer refers a Mortgage loan to another Seller/Servicer, the referring Seller/Servicer is not subject to the requirements in this subsection "F."

3.16 Seller/Servicer's fidelity and errors & omissions insurance coverage (02/16/23)

The Seller/Servicer must maintain in effect, at all times and at its expense, fidelity insurance and mortgagee's errors and omissions (E&O) insurance that meets all of the requirements of this Section.

a. Acceptable insurer (09/26/19)

The fidelity insurance and mortgagee's errors and omissions (E&O) insurance must be underwritten by one or more insurers authorized by law to conduct business in the jurisdiction where the Seller/Servicer is located. Such insurers must meet or exceed at least one of the requirements below:

1. Minimum A.M. Best rating:



- Financial Strength Rating of “A-”, AND
- Financial Size Category of “VII”

OR

2. If rated by Fitch, Inc., Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc., a minimum Financial Strength Rating of:
 - “A-” or its equivalent by Fitch, Inc., or
 - “A-” or its equivalent by Standard & Poor’s Ratings Services, or
 - “A3” or its equivalent by Moody’s Investors Service, Inc.

b. Seller/Servicer fidelity insurance coverage (09/26/19)

1. General fidelity insurance requirements

The Seller/Servicer must maintain fidelity insurance coverage in the form of a financial institution bond or equivalent. The financial institution bond or equivalent must be written on a Discovery Policy Form and must include the following insuring agreements/coverage:

- Fidelity/Employee Dishonesty
- On Premises
- In Transit
- Forgery or Alteration
- Securities/Extended Forgery

The insurance must protect the Seller/Servicer against loss resulting from dishonest or fraudulent acts committed by:

- Officers and/or employees of the Seller/Servicer
- Persons duly authorized by the Seller/Servicer to act on its behalf in the servicing of mortgages
- Employees of outside firms who provide legal services to the Seller/Servicer or who perform as data processors of checks for the Seller/Servicer, unless such firms have provided to the Seller/Servicer satisfactory evidence of fidelity insurance at least equal to that required of the Seller/Servicer by Freddie Mac
- Persons assigned to the Seller/Servicer through an intervening employer or agency to perform the usual duties of an employee of the Seller/Servicer on a contingent or temporary basis



Additionally, the policy must:

- Name Freddie Mac as a loss payee as its interest may appear on payment drafts issued by the insurer for losses in which Freddie Mac has an interest resulting from acts covered by the insurance,
- Upon failure of the Seller/Servicer to make a claim, give Freddie Mac the right to file a claim directly with the insurer for losses in which Freddie Mac has an interest in connection with acts covered by the insurance, and
- Not limit any improper financial benefit required by the definition of dishonesty solely to the employee’s own improper personal gain

2. Fidelity insurance requirements – single loss limit of liability

For all losses discovered during the policy term, the Seller/Servicer must, at a minimum, maintain fidelity insurance (single loss or per occurrence) as shown in the table below.

Base* (Insured Portfolio UPB)	Coverage Calculations by Base*	Cap
≤ \$100 million	\$2.5 million	N/A
>\$100 million and ≤ \$500 million	\$2.5 million + 0.125% * Base over \$100 million	N/A
>\$500 million and ≤ \$1 billion	\$3 million + 0.1% * Base over \$500 million	N/A
> \$1 billion	<i>The lesser of:</i> \$3.5 million + 0.075% * Base over \$1 billion <i>or</i> \$150 million	\$150 million

- * Base = the aggregate unpaid principal balance of all loans covered by the fidelity insurance policy
- ** Freddie Mac does not require more than \$150 million in fidelity coverage, regardless of Base

3. Fidelity insurance deductible/SIR



The maximum deductible or SIR (self-insured retention) or combined deductible and SIR allowed for any one fidelity loss is the higher of (i) \$250,000 or (ii) ten percent of the minimum single loss limit of fidelity insurance required by Freddie Mac per occurrence.

The deductible or SIR or combined deductible and SIR may not be calculated based on the actual limit of insurance in force.

c. Seller/Servicer errors & omissions (E&O) insurance coverage (09/26/19)

1. Seller/Servicer E&O insurance requirements

The Seller/Servicer must maintain mortgagee's E&O insurance or the equivalent coverage. The policy may be written on a Claims Made Policy Form or an Occurrence-based Policy Form. The Seller/Servicer must notify Freddie Mac if the Seller/Servicer plans to switch the coverage:

- From a Claims Made Policy Form to an Occurrence-based Policy Form, or
- From an Occurrence-based Policy Form to a Claims Made Policy Form

Freddie Mac reserves the right to review and approve the change.

The mortgagee's E&O coverage or the equivalent coverage must protect the Seller/Servicer against loss resulting from negligence, errors and/or omissions, including the following:

- Failure to determine whether the Property is located in a Special Flood Hazard Area (SFHA) as defined by the Director of the Federal Emergency Management Agency (FEMA)
- Failure to maintain any and all of the insurance (property and liability insurance) required by Chapter 31, as amended by the Purchase and Servicing Documents
- Failure to pay real estate taxes, ground rents and/or any other mandatory assessments on the Property, as required

Additionally, the policy must:

- Name Freddie Mac as a loss payee as its interest may appear on payment drafts issued by the insurer for losses in which Freddie Mac has an interest resulting from acts covered by the insurance, and
- Upon failure of the Seller/Servicer to make a claim, give Freddie Mac the right to file a claim directly with the insurer for losses in which Freddie Mac has an interest in connection with acts covered by the insurance

2. E&O insurance coverage requirements

The Seller/Servicer must maintain E&O insurance in an amount at least equal to the minimum required as shown in the table below.



Base* (Insured Portfolio UPB)	Coverage Calculations by Base*	Cap
≤ \$100 million	\$2.5 million	N/A
> \$100 million and ≤ \$500 million	\$2.5 million + 0.125% * Base over \$100 million	N/A
> \$500 million and ≤ \$1 billion	\$3 million + 0.1% * Base over \$500 million	N/A
> \$1 billion	<i>The lesser of:</i> \$3.5 million + 0.05% * Base over \$1 billion <i>or</i> \$50 million	**\$50 million

- * Base = the aggregate unpaid principal balance of all loans covered by the E&O insurance policy
- **Freddie Mac does not require more than \$50 million in E&O coverage, regardless of Base

3. E&O deductible/SIR

The maximum deductible or SIR or combined deductible and SIR allowed for any one E&O loss is the higher of (i) \$250,000 or (ii) ten percent of the minimum limit of E&O insurance required by Freddie Mac per occurrence.

The deductible or SIR or combined deductible and SIR may not be calculated based on the actual limit of insurance in force.

Freddie Mac reserves the right to review and approve the terms of such a policy.

d. Documentation of fidelity and E&O insurance (02/16/23)

1. Acceptable documentation

Within 30 days of obtaining or renewing fidelity and/or mortgagee's E&O insurance, the Seller/Servicer must submit acceptable proof of insurance to *Multifamily Counterparty Risk & Compliance* on one of the following:

- ACORD 25, Certificate of Liability Insurance (or other appropriate ACORD form)
- Certificate of insurance



- Evidence of insurance

- Declarations page
- Policy

2. Required information

Each form of documentation must include all of the following:

- Name of insurer
- Bond or policy number
- The Seller or Seller/Servicer, as applicable, as named insured or joint named insured
- Entity covered by the insurance policy
- Freddie Mac named loss payee
- Type of insurance and coverage
- Effective date and expiration date of coverage
- Deductible or SIR or combined deductible and SIR
- Any endorsement or optional coverage modifying the original bond or policy if the endorsement or optional coverage reinforces compliance with Freddie Mac's requirements or reduces the coverage required by Freddie Mac (The Seller/Servicer must submit a copy of the endorsement or optional coverage if the endorsement or optional coverage is not summarized on the certificate or other documentation.)
- Coverage amount:
 - For fidelity insurance, the single loss (per occurrence) limit of liability and the maximum single loss limit of liability and any aggregate, if applicable to the policy
 - For E&O insurance, the per occurrence limit of liability and any applicable sub-limits
- The aggregate unpaid principal balance of all loans covered by the fidelity insurance policy
- The aggregate unpaid principal balance of all loans covered by the E&O insurance policy

e. Blended fidelity and E&O insurance policies (02/16/23)

The Seller/Servicer must contact *Multifamily Counterparty Risk & Compliance* if the fidelity and E&O insurance is purchased in a blended policy. A blended policy has an aggregate limit that covers both fidelity and E&O insurance.



Freddie Mac reserves the right to review and approve the terms of such a policy.

f. Reinstatement of coverage (02/16/23)

If the Seller/Servicer fidelity and/or E&O insurance limits fall below 80 percent of Freddie Mac's requirements, the Seller/Servicer must contact *Multifamily Counterparty Risk & Compliance*.

g. Self-insurance and Fidelity and/or E&O insurance provided by a captive insurance company (09/26/19)

Seller/Servicers that self-insure or utilize insurance carriers whose ratings do not meet the requirements set forth in Section 3.16(a) must themselves meet at least two of the following ratings:

- "A" from Fitch Ratings
- "A" from Standard & Poor's Global Ratings
- "A2" from Moody's Investors Service
- "A-" from Kroll Bond Rating Agency
- "A" from DBRS, Inc.

h. Other Seller/Servicer obligations for fidelity and E&O insurance (02/16/23)

1. Notice of change in coverage

The Seller/Servicer must report to Freddie Mac the following events within 10 Business Days of their occurrence using Form 1107M, Seller/Servicer Change Notification Form:

- The receipt of a notice from the insurer that the insurer has taken or intends to take action to cancel, reduce, not renew or restrictively modify the Seller/Servicer's fidelity or mortgagee's E&O insurance for any reason. The Seller/Servicer must include a copy of the insurer's notice and detail the reasons for the insurer's action or intended action if not stated in the insurer's notice. The Seller/Servicer must also report its efforts to obtain replacement coverage or otherwise satisfy Freddie Mac's insurance requirements.
- The determination that any single act of embezzlement, theft of funds or fraud or mortgagee's E&O loss has caused a loss exceeding \$100,000, whether or not Freddie Mac's interests are affected, or a claim is filed with the insurer.

2. Obligation to compensate

The Seller/Servicer is obligated to compensate Freddie Mac in full for any loss Freddie Mac sustains that is not recovered from the proceeds of claims made against the required fidelity and/or mortgagee's E&O insurance.



Freddie Mac's requirements for fidelity and mortgagee's E&O insurance do not diminish, restrict or otherwise limit the Seller/Servicer's responsibilities and obligations stated in the Purchase and Servicing Documents.

3. Notice of loss

Within 10 Business Days of a loss greater than \$100,000, the Seller/Servicer must:

- Notify *Multifamily Counterparty Risk & Compliance* in all instances.
- If the loss impacts Freddie Mac's interests, file a claim with its insurer and provide evidence of the claim report to *Multifamily Counterparty Risk & Compliance*, or notify *Multifamily Counterparty Risk & Compliance* of its intent not to file a claim.

4. Annual certification

The Seller/Servicer must certify compliance with Freddie Mac's requirements, including Freddie Mac's requirements for fidelity and mortgagee's E&O insurance, as specified in Section 3.5.

3.17 Non-discrimination (12/14/23)

1. Freddie Mac requires all Seller/Servicers to:

- Practice the principles of equal employment opportunity and non-discrimination in all its business activities. As such, each Seller/Servicer must not discriminate on the basis of race, color, religion, sex, age, marital status, disability, veteran status, genetic information (including family medical history), pregnancy status, national origin, ethnicity, familial status, sexual orientation, gender identity or other characteristic protected by law.
- Contractually require each subcontractor it engages to provide services or goods for the use of Freddie Mac to practice the principles of equal employment opportunity and non-discrimination in all its business activities.

2. Upon request by Freddie Mac, a Seller/Servicer must provide Freddie Mac with information and appropriate certifications regarding:

- The diversity status of the Seller/Servicer
- The diversity status of subcontractors engaged by the Seller/Servicer to provide services or goods for the use of Freddie Mac with respect to originating or servicing Mortgages under the Purchase Documents
- Any other information Freddie Mac requests in order to comply with HERA and applicable diversity and inclusion regulations

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Multifamily Seller/Servicer Guide

Chapter 7

Fraud Prevention, Detection and Reporting; Reporting Fraud and Suspicious Activity



7.1 Prevention, detection and reporting (04/18/24)

- a. Hiring and training (08/26/21)
- b. Origination and Servicing (04/18/24)

7.2 ~~Reporting requirements (06/15/23)~~ [Reporting requirements \(06/13/24\)](#)

- a. ~~Procedures for reporting and what to report (06/15/23)~~ [Procedures for reporting and what to report \(06/13/24\)](#)
- b. Immediate notification and reporting (08/26/21)

7.3 Cooperation requirements (08/26/21)



7.1 Prevention, detection

and reporting (04/18/24)

The Seller/Servicer must have comprehensive prevention, detection and reporting practices and procedures in place to address Suspicious Activity and actual or possible fraud in connection with originating and selling a Mortgage to Freddie Mac and Servicing the Mortgage.

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

- Employee hiring and training
- Origination and Servicing

a. Hiring and training (08/26/21)

The Seller/Servicer must have screening and hiring practices in place to ensure the integrity of its employees. In addition, before any individual may be retained to work on Freddie Mac matters, the Seller/Servicer must do each of the following as required in Section 2.18:

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

Employees and any entity or individual engaged to handle or perform functions typically handled by employees, and in a position to notice or report Suspicious Activity and actual or possible fraud, must receive training in each applicable area of its mortgage business about:

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

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



The training must include periodic updates at least annually to ensure that employees and parties referenced above are aware of emerging fraud (including money laundering) scenarios.

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

b. Origination and Servicing (04/18/24)

The Seller/Servicer must take the following minimum steps to prevent and detect Suspicious Activity and actual or possible fraud in the areas of origination and Servicing:

- Maintain a log of Suspicious Activity and actual or possible fraud involving any Freddie Mac Mortgage that has been reported to and/or investigated by the Seller/Servicer and reported in accordance with Section 7.2. Seller/Servicers must provide the log to Freddie Mac upon request.
- Ensure that information indicating Suspicious Activity and actual or possible fraud that the Seller/Servicer receives from any source is reported immediately (within one Business Day after its discovery) and escalated internally and properly investigated.

This includes information received from sources involved with:

- The origination of a Mortgage and related real estate transactions, such as Borrowers, Borrower Principals and providers of third-party reports
- Servicing functions relating to a Mortgage or Real Estate Owned (REO)
- Investigate unusual patterns or discrepancies or other red flags, such as a sudden drop in operating income or occupancy or a sudden increase in expenses after origination or supplemental loan funding.
- Comply with Section 2.18 regarding screening against the Freddie Mac Exclusionary List.
- Comply with all other Guide provisions relating to prevention and detection of Suspicious Activity and actual or possible fraud.

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

Accordingly, Seller/Servicers must:

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



7.2 Reporting requirements

(~~06/15/23~~06/13/24)

a. Procedures for reporting and what to report (~~06/15/23~~06/13/24)

The Seller/Servicer must have written procedures for reporting Suspicious Activity and actual or possible fraud in connection with a Mortgage offered to, sold to, or serviced for, Freddie Mac and discovered at any time, including during origination or Servicing activities. A Seller/Servicer must also maintain all records evidencing Suspicious Activity and actual or possible fraud in accordance with its standard records retention policies.

A Seller/Servicer must report to Freddie Mac within 1 Business Day after the Seller/Servicer obtains information, receives allegations, or otherwise learns that one of the following may be occurring or may have occurred during origination or Servicing of a Mortgage:

- Misrepresentation, misstatement or omission related to the Borrower or Borrower Principals including sources of funds, other indebtedness and other assets
- Misrepresentation, misstatement or omission related to the Property, including property valuation, property value, occupancy, income and property use
- Misrepresentation, misstatement or omission of any other information related to a Mortgage or related real estate transaction, including, undisclosed seller or other third-party incentives, loan performance, mortgage purpose, kickbacks, an undisclosed relationship between parties to the transaction when Freddie Mac requires that the transaction be an “arm’s length” transaction
- Falsification or destruction of documents or records by the Borrower, Borrower Principal or any party involved in the origination, underwriting or Servicing of the Mortgage
- False statements, misrepresentation, making false claims
- In connection with a Borrower or Key Borrower Principal, the failure to accurately or completely report in ~~Form 1115, Borrower Certificate, Form 1115, Key Borrower Principal Certificate, Form 1115SBL – SBL, Borrower Certificate, and Form 1115SBL – SBL, Key Borrower Principal Certificate, as applicable~~Form 1115, Borrower and Key Borrower Principal Certificate, or in other required Freddie Mac documentation
- Theft of custodial funds or non-remitted payoff funds
- The involvement of a person or entity on the Freddie Mac Exclusionary List in the origination, sale or Servicing of the Mortgage or in the related real estate transactions in violation of Section 2.18
- Actual or possible terrorist financing or ongoing or possible money laundering schemes or activity
- Notification of the entry of a civil judgment, guilty plea or criminal conviction indicating lack of integrity and relating to a participant in a Mortgage transaction or related real estate transaction, or relating to a board member, officer, employee or contractor of the



Seller/Servicer

- Notification by law enforcement or another governmental authority that such authority is conducting an investigation or prosecution of fraud relating to Mortgages owned by, or serviced for, Freddie Mac or relating to a board member, officer, employee or contractor of the Seller/Servicer

b. Immediate notification and reporting (08/26/21)

The Seller/Servicer must immediately (within one Business Day after its discovery) report the information identified in Section 7.2(a) to Freddie Mac in writing by e-mail to the Multifamily Fraud Investigation Unit at MF_Mortgage_Fraud_Reporting@freddiemac.com.

The Seller/Servicer must, within five Business Days following the immediate notification, provide additional information as may be requested in writing to the Multifamily Fraud Investigation Unit at MF_Mortgage_Fraud_Reporting@freddiemac.com.

Seller/Servicers are not required to and must not disclose to Freddie Mac any Financial Crimes Enforcement Network Suspicious Activity Reports (SARs) or draft SARs, documents or information revealing the existence of a SAR or indicating whether or not a SAR has been filed, or where disclosure of Suspicious Activity and actual or possible fraud to Freddie Mac would otherwise be prohibited by law.

7.3 Cooperation requirements (08/26/21)

The Seller/Servicer must cooperate with Freddie Mac to prevent and investigate, where permitted by law, Suspicious Activity and actual or possible fraud. Cooperation includes:

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

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

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Multifamily Seller/Service Guide

Chapter 8

Property Fundamentals



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8.20 ~~Student Housing Properties (04/18/24)~~ [Student Housing Properties \(06/13/24\)](#)

- a. ~~Documentation required for underwriting package (04/18/24)~~ [Documentation required for underwriting package \(04/18/24\)](#)
- b. ~~Pre-leasing debt service Reserve (04/18/24)~~ [Pre-leasing debt service Reserve \(06/13/24\)](#)
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8.1 Introduction (09/08/04)

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

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

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

8.2 Structure (12/17/19)

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

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

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

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

b. Commercial use (04/30/13)

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

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



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

c. Reserved (05/01/14)

d. Aluminum wiring (02/28/18)

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

Note:

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

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

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

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

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

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

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

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

1. A third-party property condition consultant, meeting the requirements of Section 62.8 and with specific expertise in the identification and correction of water intrusion and mold issues, must conduct the Special Moisture or Mold Issues Inspection.
2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must
 - a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues
 - b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Section 62.5(d)



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

8.4 Occupancy (02/07/05)

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

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

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

If a zoning report is not available for the jurisdiction in which the Property is located, Freddie Mac may purchase a Mortgage if the Property meets the requirements of Section 8.5(d) below.



- c. If the zoning report states that the Property does not conform to current zoning regulations, including those governing density, building restriction lines, size or parking, Freddie Mac may purchase the Mortgage for the Property if the Property meets one of the following requirements:
- The zoning report states that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a preliminary legal issues memorandum (PLIM) with a copy to the applicable Freddie Mac *Multifamily Attorney*.

- If the zoning report does not provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:
 1. The zoning report must contain a damage restoration statement from the zoning authority that
 - a. States the requirements of the current zoning classification (i.e., number of units that could be rebuilt or the set back that would be required under current zoning), and
 - b. Specifies the percentage of damage to the Property's market, replacement or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.
 2. The Seller must submit an evaluation of the likelihood that a fire or other casualty could damage the Property beyond the damage threshold level by evaluating
 - a. The number of buildings on the Property and their proximity to one another
 - b. The type of construction materials used
 - c. The presence of smoke detectors and sprinklers
 - d. Whether any flame-retardant material has been used
 - e. The proximity of the Property to natural hazards such as flood zones, earthquake zones or tornado alleys
 - f. The proximity of the buildings to fire hydrants and fire stations



- g. Whether the damage threshold level applies to the Property as a whole or is applied building-by-building
3. The Seller must submit an evaluation of the availability of Ordinance and Law insurance, in accordance with the requirements of Section 31.12, to mitigate the risk of
 - a. Increased demolition cost
 - b. Increased cost to construct
 - c. Loss of value due to operation of zoning laws
4. The Seller must submit an analysis of the impact on the Property if more than the damage threshold level of the Property was destroyed and had to be restored to current zoning requirements [i.e., the number of units that could be rebuilt under current zoning requirements and the resulting Debt Coverage Ratio (DCR) and Loan-to-Value (LTV) Ratio].
5. The Seller must submit an analysis of any other risk to Freddie Mac and how the risk could be mitigated and whether the risk has been mitigated.
6. If requested by Freddie Mac, the Seller's counsel must submit a PLIM.
- d. If a zoning report is not available in the jurisdiction in which the Property is located, Freddie Mac may purchase the Mortgage for the Property if one of the following requirements is met:
 - The Seller must submit documentation that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a PLIM with a copy to the applicable Freddie Mac *Multifamily Attorney*.

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



having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.

2. The Seller must submit the evaluations, analysis and if applicable, the PLIM required in Section 8.5(c)(2) through 8.5(c)(6) above.
- e. If not all Certificates of Occupancy are available for the Property, the Property's zoning report must include one of the following:
1. The following statement:

The absence of any Certificate of Occupancy within the "applicable governmental authority" Property file is not a violation nor will it give rise to any enforcement action affecting the property. A new Certificate of Occupancy will only be required for new construction and to the extent that any renovations/remodeling are made to all or a portion of the Property.

OR
 2. An explanation of why the statement in Section 8.5(e)(1) is not applicable, based on the particular facts and circumstances related to the Property or the requirements of the applicable jurisdiction.
- f. Notwithstanding the above, a zoning report is not required if the zoning analysis described in Section 60.12(f)(2) is provided in the Appraisal and all of the following conditions are met:
- The Mortgage has an initial principal balance of \$20 million or less or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate
 - The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage
 - Copies of all available Certificates of Occupancy are provided to Freddie Mac in the final underwriting package

If the Additional Zoning Compliance Information identified in the chart in Section 60.12(f) is included in the zoning analysis

- If the appraiser's conclusion on conformity states that the Property is legal conforming, then no further action is necessary
- If the appraiser's conclusion on conformity states that the Property is legal non-conforming, Ordinance and Law Insurance per Section 31.12 and a non-conforming carveout are required
- If the appraiser's conclusion on conformity states that the Property is non-conforming or illegal, then the Seller/Service must propose additional mitigants to address the increased risk and Freddie Mac will determine whether such mitigants are satisfactory



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

8.6 Independent Properties (04/13/23)

a. Independent Property (06/30/15)

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

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

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

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

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

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

- Description of the Essential Facilities and Recreational Facilities located on the Property, which may include Essential Facilities and Recreational Facilities located on other properties if the Mortgage and the Mortgage for the other properties will be cross-collateralized, cross-defaulted and coterminous as set forth in Section 8.6(d)
- Either (i) confirmation from the Seller/Service provider’s legal counsel in a preliminary issues memorandum that any Shared Access Agreement and/or Shared Use Agreement complies or will comply as of the Origination Date with the requirements set forth in



Section 8.8 and/or 8.9, as applicable, or (ii) a detailed analysis of which requirements will not be satisfied, and the legal counsel's recommendation as to whether and why Freddie Mac should accept the Shared Access Agreement and/or Shared Use Agreement

- Seller's analysis of the feasibility and practicality of the creation/construction of Essential Facilities or Recreational Facilities on the Property, if not all Essential Facilities and Recreational Facilities are located on the Property (required even if the Property has access to Essential Facilities and/or Recreational Facilities through a Shared Use Agreement)
- Seller's analysis of the practicality and feasibility of the creation of direct access to a publicly dedicated and maintained right of way, if the Property's primary access is not directly to a publicly dedicated and maintained right of way (required even if the Property has access to a public right of way through a Shared Use Agreement)

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

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

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

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

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

If the Property is not and will not be an Independent Property as of the Origination Date and Freddie Mac has not required a Reserve of the funds or additional recourse pursuant to Section 8.6(c), Freddie Mac may agree to purchase the Mortgage if each of the following requirements is met:

- The Mortgage is cross-defaulted and cross-collateralized with any mortgage for any property on which the Essential Facilities, Recreational Facilities, and/or direct access are located
- The Mortgage is coterminous with any mortgage for any property on which the Essential Facilities, Recreational Facilities, and/or direct access are located



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

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

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

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

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

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

a. Tax parcels (03/31/11)

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

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

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

8.8 Access (06/29/17)

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

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



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

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

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

1. The Shared Access Agreement must contain a stipulation that access to and use and enjoyment of any easement or private road are perpetual and that such rights will inure to the benefit of all future owners of the Property.
2. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Access Agreement may not allow for loss of use in the event of a breach. However, the Shared Access Agreement may permit the placement of a lien which is subordinate to the Mortgage for unpaid maintenance costs for the easement.
3. Each party's responsibilities and share of expenses under the Shared Access Agreement must be stipulated.
4. The Shared Access Agreement must be recorded in the applicable records for the jurisdiction prior to the Freddie Mac Funding Date. If the Shared Access Agreement is not or will not be recorded, the Seller/Service's legal counsel must provide an explanation acceptable to Freddie Mac.
5. If shared access is evidenced only by a subdivision plat, deed restriction or similar instrument then there must not be anything in the plat, deed restriction or similar instrument or under the applicable laws in the jurisdiction that could result in the loss of use by the Borrower.
6. If the Property is not visible from the public street, the Shared Access Agreement or a separate sign agreement must permit signage to be placed in the easement area or in or about the private road in a location near the entrance to the Property or, if applicable, the phased development.

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

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

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

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

d. Additional requirements (06/30/15)

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

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

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

8.9 Essential Facilities; Recreational Facilities; Shared Use Agreement (06/29/17)**a. Eligibility for Purchase of Property subject to a Shared Use Agreement (06/30/15)**

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



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

b. Essential Facilities (03/31/11)

“Essential Facilities” include the following:

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

c. Recreational Facilities (03/31/11)

“Recreational Facilities” include the following:

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



- View easement
- Air rights

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

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

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

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

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

f. Additional requirements (06/30/15)

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



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

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

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

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

8.11 Nonresidential leases (02/29/16)

a. General (09/25/15)

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

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

b. Analysis (09/25/15)

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

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

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

d. Tenant estoppels (09/25/15)

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

- Commercial leases which individually account for five percent or more of gross potential rent



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

Tenant estoppels must confirm or explain the following items:

1. Commencement date, expiration date, and any extension rights
2. Tenant is in actual possession of the premises and is open for business
3. Name of any Guarantor of the lease
4. Amount of rents and all other charges payable (common area maintenance fees, real estate tax reimbursements, insurance reimbursements, etc.); date through which rent and other such charges have been paid; amount of any advance rent paid and the period for which such advance rent is to be applied; amount of any outstanding concessions, including future “free rent” periods; any additional data necessary to compute the rent (e.g., the base year and/or sales figures)
5. Amount and type (e.g., cash or letter of credit) of security deposit; if estoppel indicates that the security deposit is in the form of a letter of credit, the Seller must confirm whether the letter of credit is freely assignable/transferable to a successor owner of the Property
6. No outstanding landlord obligations (tenant improvement allowance, repairs, unpaid annual adjustments, etc.)
7. No current default by landlord or tenant; no set-off or other pending claims or disputes by tenant against landlord
8. No option or right of first refusal to purchase the Property or any space; no right of first refusal to lease additional space
9. No rights of termination except as described in the estoppel, other than customary rights of termination due to substantial casualty or condemnation
10. A true, correct, and complete copy of the lease is attached to the estoppel
11. Any additional items which are necessary to address specific unique issues relating to the lease, including concerns identified in the Commercial Lease Analysis or the PLIM

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

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

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



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

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

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

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

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

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



8.12 Subordinate Financing (04/18/24)

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

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

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

1. The subordinate lender must be a financial institution or other lender that is not related to the Borrower.
2. The subordinate lender must enter into Freddie Mac's standard Subordination Agreement, which provides, among other things, that the subordinate lender will
 - Provide notice of default to Freddie Mac
 - Give Freddie Mac the right (but not the obligation) to cure defaults, and
 - Not exercise its remedies under the Subordinate Financing for the period specified in the Subordination Agreement after notice to Freddie Mac that sets forth the specific remedy that the subordinate lender intends to exercise
3. The Subordination Agreement must be recorded in the land records of the jurisdiction in which the Property is located.
4. The combined debt may not result in an LTV Ratio that exceeds 85 percent *and* the combined debt service may not result in a DCR that is below 1.20x.
5. The Subordinate Financing must be based on a fixed interest rate for the entire term or an adjustable interest rate with a rate cap.
6. If the Subordinate Financing is not fully amortizing, the term of the Subordinate Financing must be equal to or longer than the term of the Freddie Mac Mortgage.
7. The Seller must perform a refinance test acceptable to Freddie Mac on the combined debt.
8. The Seller must establish tax and insurance Reserves at the time of origination of the Freddie Mac Mortgage.
9. The Subordinate Financing must not provide for recourse against the Borrower or a third-party guarantee by a Borrower Principal.
10. The Borrower must be a single asset entity.

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

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

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

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

At final delivery of the Freddie Mac Mortgage or within 15 days after the settlement of the Subordinate Financing if the Subordinate Financing is originated after the Freddie Mac Mortgage, the Seller/Servicer must provide to Freddie Mac a copy, a certified copy or an original (as noted) of each executed relevant document. If the provisions of this section require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder's or clerk's delays make it impossible to effect timely delivery of a copy showing the required information, the Seller may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original." The Seller must deliver to Freddie Mac a copy of the recorded/filed original showing the required information as soon as the copy becomes available. The documents are:

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



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

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

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

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

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

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

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

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

A Mortgage is ineligible for sale to Freddie Mac if

- The Mortgage is secured by a Property located in an Elevated Seismic Hazard Region, the Probable Maximum Loss (PML) on a Seismic Risk Assessment (SRA) is greater than 40 percent, and the affected buildings have not undergone a seismic retrofit
- The Mortgage is secured by a Property that is encumbered by a Private Transfer Fee Covenant that was created on or after February 8, 2011



- The Mortgage is secured by a Property located in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA), and
 - The community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available, or
 - The Borrower has not obtained the required flood insurance coverage
- The Mortgage is secured by a Property that is encumbered by a regulatory agreement that encumbers any property other than the Property

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

8.15 Property inspections and lease audits (04/18/2406/13/24)

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

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

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

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

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

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

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

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

1. The unit inspection must include the following:



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

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

4. The Seller must interview the property manager to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.
5. The Seller must inspect each building, including exteriors and all common spaces to include the following:
 - a. Roof access should be gained if not clearly visible from the ground (flat roofs)
 - b. Inspect a representative sample of ongoing or recently completed unit renovations, if applicable
 - c. Verify reported completed or in process capital improvements
 - d. Inspect amenities available to tenants at the Property



- e. Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation
 - f. Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems
6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.
7. The Seller must conduct a market analysis to include the following:
- a. Drive by the rental comparables identified for purposes of the preliminary site visit and identify any new rental comparables in the market
 - b. Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket
 - c. Take photographs of rental comparables
 - d. If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket
8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:
- a. Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.
 - b. Rent roll dated the day of inspection from the property manager consistent with the rent roll requirements as defined in Section 55.2
 - c. A sample or unexecuted residential lease or an executed residential lease with any personal or private information redacted
 - d. Completed applicable property inspection form
 - e. Completed applicable lease audit form, reflecting the following:
 - A lease audit of 10 percent of units, with no fewer than 10 units and no more than 30 units. At least 50 percent of leases audited must be units inspected; the remainder can be chosen randomly by the inspector after including representative samples of:
 - Leases from any inspected corporate units
 - Leases signed within the last 60 days
 - Effective for transactions taken under application on or after April 18, 2024, validation of leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger,



copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional payments (e.g., late fees or other one-time charges).

The Seller/Service must retain electronic or hard copy records evidencing Seller's compliance with the verification requirements in this section.

- f. An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8.15(b)
 - g. Documentation of complete property inspection in accordance with this section
 - h. If Freddie Mac delegates the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement.

c. Timing of property inspections (~~11/30/11~~06/13/24)

- When submitted as part of the preliminary underwriting package:

The inspection requirements of Section 8.15(a) must have been completed within ~~120~~90 days of Freddie Mac's receipt of the preliminary underwriting package.

- When submitted as part of the full underwriting package:

The inspection requirements of Sections 8.15(a) and 8.15(b) must have been completed within ~~120~~90 days of Freddie Mac's receipt of the full underwriting package.

If the Seller inspection is not completed within ~~120~~90 days of Freddie Mac's receipt of the underwriting package, a new inspection must be performed; no recertification will be allowed.

8.16 Property inspections for Forward Commitments (~~12/14/23~~06/13/24)

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

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

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

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

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

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

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

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

c. Timing of the Forward Commitment Property Inspection (03/03/1706/13/24)

When submitted as part of the Forward Commitment full underwriting package, the Forward Commitment Property Inspection requirements must have been completed within ~~120~~90 days of Freddie Mac's receipt of the Forward Commitment underwriting package. If not, a new inspection must be performed; no recertification will be allowed.



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

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

e. Timing of the property inspection at time of conversion (~~03/03/17~~06/13/24)

When submitted as part of the conversion underwriting package, the property inspection requirements must have been completed within ~~120~~90 days of Freddie Mac's receipt of the conversion underwriting package. If not, a new inspection must be performed; no recertification will be allowed.

8.17 Property condition report (09/30/20)

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

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

Freddie Mac requires the Seller/Servicer to submit a property condition report (also commonly referred to as an engineering report) meeting the requirements of Section 62.3 before Freddie Mac will issue a Letter of Commitment or accept the early rate-lock application to purchase a Mortgage.

Once the Seller has received and reviewed Form 1105, the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Section 62.3(b), including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Applicable Freddie Mac Multifamily Regional Office* or the *Multifamily TAH Underwriter* of unusual or questionable conditions. In addition, the Seller must:

- Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment or acceptance of the early rate-lock application
- Prepare Loan Documents which include the applicable repair Rider to the Loan Agreement with specified completion dates and funded Reserves for all Priority Repairs and PR-90 repairs, as defined in Section 62.3(b)
- Prepare a Repair Letter for all Operational Repairs, as defined in Section 62.3(b), that are identified by the property condition consultant, to be provided to the Borrower prior to or on the Origination Date

Each Priority Repair listed in the Loan Agreement must:

- Clearly describe the work to be completed



- Have a specific and realistic proposed completion date that reflects the urgency of the Priority Repair and the Borrower's plans and capacity
- Be escrowed for when the total cost of all Priority Repairs exceeds 0.25 percent of the loan amount or \$25,000, whichever is greater
- Seismic retrofits are excluded from the waiver calculation above. Seismic retrofits must be escrowed at 125 percent of the estimated cost in the Seismic Risk Assessment, regardless of amount, as required in Section 64.14

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

Operational Repairs must be identified in the Repair Letter, the form of which can be found at mf.freddiemac.com/lenders/legal, rather than being included in the Rider to the Loan Agreement. The Repair Letter notifies Borrowers that:

- Freddie Mac expects Operational Repairs to be completed by the Borrower as part of a repairs and management budget
- The Servicer will verify completion of these repairs at the first annual property inspection

8.18 Condominiums (10/14/16)

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

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

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



- The number of members that comprise the board of directors of the Condominium association (“Condominium Association”) and the number of members of the board of directors of the Condominium Association that the Borrower controls

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

- The Seller/Service’s legal counsel must state in the PLIM that the Property is a 100 percent Borrower-owned Condo
- There are no additional underwriting requirements for a Property that is a 100 percent Borrower-owned Condo
- The Letter of Commitment or early rate-lock application may require certain modifications to the Loan Agreement and the Security Instrument

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

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

- The Borrower must own a majority of the Condominium Units
- The Borrower must control a majority of the Condominium Association’s board of directors
- The voting rights held by the Borrower must be sufficient to control voting for the following:
 1. Appointment of a majority of directors on the board of directors of the Condominium Association established under the Condominium Documents
 2. Amendments or modifications to the Condominium Documents
 3. Improvements to the buildings or common areas
 4. Approval of the operating budget (including special assessments and reserves) of the Condominium Association
 5. Removal of the board of directors or trustees with or without cause
 6. Filling any vacancy caused by the removal of a director or trustee
 7. Adoption of the budget
 8. Levying a special assessment



9. Ability of the board of directors to spend beyond its budget
 10. Amending the Condominium Unit owners' right to the use of the recreational facilities or common areas
- The consent of at least a “super majority” of the lenders holding mortgages on the Condominium Units (“Condominium Mortgagee”) must be necessary in order to amend the Condominium Documents concerning various rights, priorities, remedies and interests of the mortgagees including the following:
 1. Changing the voting rights of any owner
 2. Changing any restrictions on the use of the Condominium Units
 3. Changing the priority of liens for assessments
 4. Reallocating the undivided interest in common elements
 5. Encumbering the common elements
 6. Expanding, contracting or terminating the Condominium
 7. Materially modifying the insurance requirements
 8. Using any insurance or condemnation proceeds for anything other than the repair of the Condominium or distribution to the Condominium Unit owners
 9. Restricting the leasing of Condominium Units
 10. Altering any provision that decreases the rights of any Condominium Mortgagee
 - There must be no limits on the rights of a Condominium Unit owner to alter its unit(s)

d. Legal issues (06/30/15)

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

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



to partitioning the Property

- Any additional information that a prudent lender would consider in its review of the Condominium Documents

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

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

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

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

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

- a. Other than the restriction prohibiting the conversion of the Property into a condominium or cooperative development, there may be no other restrictions on the use or development of the Property in the agreement/restriction.
- b. The term of the agreement/restriction and any obligations contained in it must be no longer than 10 years.
- c. The lender's liability under the agreement/restriction must be limited solely to the period (if any) during which the lender has ownership of the Property. The lender (including the mortgagee and its affiliates) must not have any liability for a condominium or cooperative conversion that occurs (a) during the period that Borrower owns the Property, or (b) after the lender sells the Property.
- d. The lender's liability under the agreement/restriction must be limited solely to its interest in the Property.
- e. The lender (including the mortgagee and its affiliates) must not have any liability under the agreement/restriction for permitting or consenting to a condominium or cooperative conversion action (whether by Borrower or any other party).



- f. The remedies for breach of the agreement/restriction may not include a right of reversion or repurchase by developer or any other party. If the remedies for breach are broadly defined (i.e., any remedy available at law or in equity), or could be read to include a right of repurchase or reversion, the agreement/restriction must expressly provide that no such right is granted to the developer or any other party.
- g. The agreement/restriction may not impose any notice obligations on the lender (including the mortgagee and its affiliates).
- h. The agreement/restriction may not contain any terms, provisions or conditions that would be unacceptable to a prudent institutional commercial lender (e.g., any waiver of construction defects, warranty claims, or other rights or remedies available at law or in equity binding on Borrower, the lender and/or future owners of the Property).

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

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

8.19 Tax abatements (04/14/22)

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

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

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

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

1. Program eligibility

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

- Obtain and review the documents required for program eligibility listed in the Tax Abatement/Exemption/PILOT Questionnaire, and



- Include in the applicable underwriting package the Tax Abatement/Exemption/PILOT Questionnaire and the applicable documentation required in the Tax Abatement/Exemption/PILOT Questionnaire

2. Statutory approval

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

3. Continuation of tax abatement

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

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

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

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

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

3. If the Mortgage is for the acquisition of a Property that has previously received a tax abatement but as of the Origination Date the Borrower will not have been approved to assume the tax abatement, Freddie Mac may consider underwriting the Mortgage using the abated tax amount. However, Freddie Mac reserves the right to underwrite the Mortgage using the amount of the full unabated taxes.



4. If the Property does not have a tax abatement in place but the Borrower has applied or will apply for the tax abatement, then Freddie Mac may, in its discretion, underwrite the Mortgage using the abated tax amount. Freddie Mac will look at whether the potential tax abatement meets the following requirements:
 - The Borrower has an entity in its organizational structure that has at least one other property that has qualified for a tax abatement
 - The Borrower Principal has a record of qualifying for tax abatements
 - The PLIM confirms that the Borrower is likely to obtain the tax abatement following origination

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

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

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

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

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

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

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

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



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

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

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

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

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

1. Refinance test for all Mortgages underwritten with tax abatements

Freddie Mac performs a refinance test as follows:

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

2. DCR calculation for all Mortgages underwritten with tax abatements

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

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



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

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

8.20 Student Housing Properties (04/18/24)

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

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

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

b. Pre-leasing debt service Reserve (04/18/2406/13/24)

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

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

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

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

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

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

- The required number of units that must be selected is calculated based on the percentage of total units at the Property



- For the inspection of a unit to be considered sufficient to count towards the required number of units that must be inspected, a majority of beds or bedrooms must have been accessible and inspected
- The required number of lease audits is calculated based on the percentage of total leases at the Property. At least 50 percent of leases audited must be for beds or bedrooms inspected.

8.21 Solar Agreements (04/18/24)

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

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

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

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

b. Analysis (04/18/24)

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

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

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

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

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

Freddie Mac may permit Borrower to own and install a Solar Electric System in its sole discretion, following a review of the information and recommendations specified in the Solar Analysis and provided that the Solar Agreement otherwise complies with the requirements of



this chapter. The Seller/Servicer must pay particular attention to any financial and/or operational obligations imposed on Borrower in the Solar Agreement.

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

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

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

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

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

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

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



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

Freddie Mac will not enter into a subordination, nondisturbance and attornment agreement with respect to a Solar Agreement other than in the form available at mf.freddie.com/lenders/legal.

h. Reserved (12/14/23)

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

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

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

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

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

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

Freddie Mac, in its sole discretion, may require a review of the information specified in the Solar Analysis regarding specific benefits and incentives that the Solar Electric System may



be currently claiming or to which it may be entitled. Such review may include a request for additional documents and instruments identified in the Solar Analysis, including:

- Net electric metering agreements
- Specialized financing agreements used to finance the Solar Electric System (e.g., grants, tax equity financing, renewable energy credit sales, etc.)
- Agreements for the transfer of U.S. federal income tax credits to a third party under IRC Section 6418
- Evidence of any recapture obligations of Borrower

8.22 Infrastructure Agreements (12/14/23)

a. General (12/14/23)

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

b. Infrastructure Agreements with Affiliates (12/14/23)

1. An Infrastructure Agreement that is not with an Affiliate of the Borrower or any Borrower Principal (including any guarantor), and that meets the requirements set forth in Chapter 29 and in the Title Policy and Endorsement Requirements, does not have to be subordinated to the lien of the Mortgage.
2. Freddie Mac will not subordinate the lien of the Mortgage to an Infrastructure Agreement.
3. An Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any guarantor) and encumbering the Property must be specifically subordinate to the lien of the Mortgage unless the applicable agreement contains a provision for termination by the owner of the Property without cause on 30 days’ notice and without payment of a fee or penalty. The subordination agreement must be recorded if the applicable Infrastructure Agreement is recorded. In addition, Freddie Mac will not agree to a nondisturbance agreement with respect to an Infrastructure Agreement (other than a Solar Agreement in accordance with Section 8.21) that is with an Affiliate of the Borrower or any Borrower Principal (including any guarantor).

c. Severance of lessor’s interest from the Property (12/14/23)

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

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Intelligent Table Comparison: Active	
Original filename: 08 - Prop Fundamentals GB-04-18-24.docx	
Modified filename: 08 - Prop Fundamentals GB-06-13-24.docx	
Changes:	
Add	25
Delete	24
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	49

Multifamily Seller/Service Guide

Chapter 8SBL

SBL Property Fundamentals



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

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

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

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

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

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

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

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

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

b. Commercial use (06/30/16)

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

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

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



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

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

c. Reserved (06/30/16)

d. Aluminum wiring (06/30/16)

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

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

e. Reserved (06/30/16)

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

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

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

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



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

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

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

Note:

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

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

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

- With a history of moisture or Mold issues identified at underwriting, or
- With moisture or Mold issues identified during the term of the SBL Mortgage, or
- Without a Moisture Management Plan (MMP) (if the physical risk consultant recommended a plan but Freddie Mac waived the MMP)



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

1. Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
2. Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
3. Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
4. Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, as well as all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas
5. Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
6. Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

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

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

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

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

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

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

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



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

8SBL.4 Occupancy (09/30/20)

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

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

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



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

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property



may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Freddie Mac may request that Single Counsel submit a written evaluation of the legislation or variance and its applicability to the Property.

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

8SBL.6 Independent Property (09/26/19)

a. General Requirements (06/30/16)

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

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

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

"Essential Facilities" include the following, if applicable:

- Leasing offices
- Model units



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

“Recreational Facilities” include the following, if applicable:

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

c. Purchase of an SBL Mortgage secured by a Property that is not an Independent Property (09/26/19)

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

1. Seller’s underwriting package must identify that the Property is not an Independent Property and describe what features/circumstances prevent the Property from being an Independent Property and analyze the impact of these features/circumstances on the Property and the SBL Mortgage.
 - For a Property with access via an easement, Seller must describe the access easement and the nature/type of property that Borrower must cross to reach the public right of way
 - For a Property that relies on Essential Facilities and Recreational Facilities located on another property, Seller must list which Essential or Recreational Facilities are located on the Property and which are located off-site, and must describe the off-site Essential or Recreational Facilities and their owner(s). Seller must also analyze the feasibility and practicality of Borrower creating or constructing the identified off-site Essential Facilities or Recreational Facilities on the Property. This analysis must include financial considerations as well as zoning issues and the availability of land.



2. Seller's underwriting package must include either (i) confirmation from Single Counsel that any easement, Shared Use Agreement for Essential or Recreational Facilities, and/or any scattered site Property comply or will comply as of the Origination Date with the requirements set forth in this Section 8SBL.6, or (ii) a detailed analysis of which requirements will not be satisfied, and Single Counsel's recommendation as to whether and why Freddie Mac should accept the non-compliant easement, Shared Use Agreement, and/or scattered site Property.

Freddie Mac's approval of any non-compliant provisions in the easement and/or Shared Use Agreement does not discharge or limit the Seller's liability for breach of any warranties made under the Purchase and Servicing Documents. See Section 29SBL.2 for more information on title exceptions.

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

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

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

1. The easement must provide safe ingress/egress to a publicly dedicated and maintained street.
2. The Property must have good visibility from the public street it accesses via the easement.
3. The easement must be wide enough to provide satisfactory fire/police/utility access and to handle all current and foreseeable types of traffic.



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

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

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

1. There is a written Shared Use Agreement in place between the Borrower and the party controlling the applicable Essential Facilities or Recreational Facilities.
2. The Shared Use Agreement must be recorded in the applicable land records for the jurisdiction prior to the Freddie Mac Funding Date and must be included in the insured legal description of the Property.
3. The Shared Use Agreement must contain a stipulation that access to and use and enjoyment of the Essential Facilities and/or Recreational Facilities are perpetual and that such rights will inure to the benefit of all future owners of the Property.
4. Each party's responsibilities and share of expenses under the Shared Use Agreement must be stipulated and generally acceptable to a prudent lender.



5. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Use Agreement may not allow for loss of use in the event of a breach. However, the Shared Use Agreement may permit the placement of a lien which is subordinate to the SBL Mortgage for unpaid maintenance costs.
6. The Seller/Servicer must provide the appraiser with all information regarding the Shared Use Agreement.
7. The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit the access to or the use or enjoyment of the Essential Facilities and/or Recreational Facilities.

f. Reserved (09/26/19)

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

a. Tax parcels (06/30/16)

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

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

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

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

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

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

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

2. The SBL Mortgage meets all the following characteristics:
 - (i) The Borrower is an entity



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

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

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

8SBL.9 Reserved (06/30/16)

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

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

8SBL.11 Nonresidential leases (06/29/17)

a. General (06/30/16)

For the purposes of this section, the term “commercial lease” refers to any non-residential lease under which the Borrower is the lessor (excluding ground leases, which are addressed separately in this Guide), including telecommunication agreements (as defined in Section 29SBL.2), leases for retail space, office space, laundry facilities, cellular communication equipment, billboards, and petroleum products/minerals.

b. Analysis (06/29/17)

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



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

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

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

d. Reserved (06/30/16)

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

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

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

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

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

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

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

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

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

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



See Section 2.18 regarding the Freddie Mac Exclusionary List.

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

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

8SBL.14 SBL Mortgages ineligible for purchase (12/15/22)

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

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



- Greater than 50 percent concentration of military tenants
- The Property has a Scenario Expected Loss-475 (SEL-475) greater than 40 percent, as determined by a Seismic Risk Assessment (SRA), and the affected buildings have not undergone a seismic retrofit (see Chapter 64SBL for further information on seismic risk assessments)
- The Property is in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA) and the community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available

8SBL.15 Property inspections and lease audits (04/18/2406/13/24)

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

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

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

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

a. Reserved (10/12/17)

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

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

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



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

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

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

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

4. The Seller must interview the property manager, if applicable, to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.
5. The Seller must inspect each building, including exteriors and all common spaces to include the following:
- Roof access should be gained if not clearly visible from the ground (flat roofs).
 - Inspect a representative sample of ongoing or recently completed unit renovations, if applicable
 - Verify reported completed or in process capital improvements



- Verification may also be supplemented through review of the Appraisal, Physical Risk Report, or SBL Cash Out Analysis following submission of the full underwriting package
 - If none of the above are sufficient to verify completion of the capital improvements or unit renovations, the UW must require proof of completed capital improvements or unit renovations (such as invoices, etc.)
 - Inspect amenities available to tenants at the Property
 - Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation
 - Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems
6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.
7. The Seller must conduct a market analysis to include the following:
- Drive by identified rental comparables
 - Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket
 - Take photographs of rental comparables when unique issues or material concerns exist
 - If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket
8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:
- Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.
 - Current rent roll from the property manager that was used to prepare the property inspection including the full tenant names, current lease start and end dates and unit occupancy status
 - A sample or unexecuted residential lease or an executed lease with any personal or private information redacted
 - Completed Property Inspection and Lease Audit form to reflect a lease audit of:



- If the Property has 15 or fewer total units, 100 percent of occupied units capped at 10 units, or
- If the Property has more than 15 total units, the greater of 25 percent of all units or 10 units, up to a maximum of 30 units, unless otherwise required by Freddie Mac or the Seller

Additionally, the audited leases: (i) must include all occupied units inspected and (ii) should be selected by the person conducting the inspection. Also, if lease files are maintained on-site, the lease audit must be conducted at the time of the site inspection. The lease audit must also include representative samples of:

- Leases from any inspected corporate units
- Leases signed within the last 60 days
- Effective for transactions taken under application on or after April 18, 2024, validation of leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional payments (e.g., late fees or other one-time charges).

The Seller/Servicer must retain electronic or hard copy records evidencing Seller's compliance with the verification requirements in this section.

- An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8SBL.15(b)
 - Documentation of complete property inspection in accordance with this section
 - If Freddie Mac has delegated the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement. Delegation to the Seller must be approved by Freddie Mac and is permitted on an exception basis only.

c. **Timing of property inspections and lease audits** (~~02/18/24~~06/13/24)

The inspection and lease audit requirements of Section 8SBL.15(b) must have been completed within ~~120~~90 days of Freddie Mac's receipt of the full underwriting package.

If the Seller inspection and lease audit are not completed within ~~120~~90 days of Freddie Mac's receipt of the underwriting package, a new inspection and lease audit must be performed; no recertification will be allowed.

**8SBL.16 Reserved (03/03/17)****8SBL.17 SBL Physical Risk Report (~~09/30/20~~[06/13/24](#))**

This section sets forth the requirements, duties and responsibilities of the Seller/Serviceicer once the SBL Physical Risk Report has been completed by the physical risk consultant. See Chapter 62SBL for the following:

- The physical risk consultant's requirements for evaluating the physical condition of the Property and completing Form 1104, SBL Physical Risk Report
- The Seller's requirements for retaining a physical risk consultant and reviewing Form 1104

Freddie Mac requires the Seller/Serviceicer to submit an SBL Physical Risk Report meeting the requirements of Chapter 62SBL before Freddie Mac will issue a Letter of Commitment to purchase an SBL Mortgage.

Once the Seller has received and reviewed Form 1104, the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Section 62SBL.3(b), including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Small Balance Loan Team* of unusual or questionable conditions. In addition, the Seller must:

- Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment
- Prepare Loan Documents which include funded Replacement Reserves, where applicable, for certain Priority Repairs and PR-90 repairs, as defined in Section 62SBL.3(b)
- Provide a copy of the completed SBL Physical Risk Report to the Borrower so that the Borrower is aware of the Priority Repairs (including PR-90 Repairs), as defined in Section 62SBL.3(b), that must be completed by the Borrower per the Loan Document requirements

If any of the following conditions exist at the Property, [Freddie Mac will require a Reserve for all identified Priority Repairs \(including PR-90 Repairs\)](#):

- The estimated cost to complete all Priority Repairs (including PR-90 Repairs) identified in the SBL Physical Risk Report ~~meets or exceeds the greater of~~ [is](#) \$25,000 or ~~two percent of the unpaid principal balance~~ [greater](#), or
- The Property receives an "Overall Property Condition Rating/Capital Needs Over the Loan Term" rating of "Below Average" or lower in the SBL Physical Risk Report, or "Poor" in the Seller and/or Freddie Mac inspection

~~Then for all identified Priority Repairs (including PR-90 Repairs), Freddie Mac will require a Reserve and the~~ [The](#) Loan Agreement must require completion within 12 months of SBL Mortgage closing.

**8SBL.18 Condominiums (06/29/18)****a. Condominiums (10/12/17)**

Freddie Mac will consider purchasing an SBL Mortgage that is secured by a security interest in Property that is subject to a condominium regime (“Condominium” or “Condo”) only if it is a 100 percent Borrower-owned Condo. The following additional requirements must be satisfied:

- The Appraisal must indicate that the Property is a 100 percent Borrower-owned Condo.
- The Letter of Commitment may require certain modifications to the Loan Agreement and the Security Instrument.

b. Reserved (06/29/18)**c. Reserved (06/30/16)****d. Reserved (06/30/16)****e. Reserved (03/03/17)****8SBL.19 Tax abatements (04/14/22)****a. Tax abatement definition and overview (06/30/16)**

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

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

b. Tax abatement eligibility (04/14/22)**1. Program eligibility**

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



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

2. Statutory approval

The applicable statute for the tax abatement must be in force at the time that the Seller/Servicer submits the full underwriting package to Freddie Mac.

3. Continuation of tax abatement

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

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

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

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

1. For all tax abatements, the Seller/Servicer must include in the applicable underwriting package the evidence of tax abatement documentation listed in Section 55SBL.2.

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

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



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

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

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

- Prepare the Tax Abatement/Exemption Analysis – SBL ,
- Include the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL, and
- Respond to any issues raised by the Multifamily Attorney

d. Collateral valuation for tax abatement (06/30/16)

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

e. Refinance test and DCR calculation for Properties with tax abatements (06/30/16)

1. Refinance test for all SBL Mortgages underwritten with tax abatements

Freddie Mac performs a refinance test as follows:

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

2. DCR calculation for all SBL Mortgages underwritten with tax abatements

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

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be “infinite” and abated taxes can be utilized to derive the NOI and perform the refinance test:
 - a. The phase-in period, if any, begins at least 10 years after the SBL Mortgage maturity date
 - b. The abatement runs at least 20 years after the Origination Date.
 - c. The abatement runs for the full term of a fully amortizing SBL Mortgage.

For all other SBL Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow



analysis to show the effect on NOI of any decrease in the tax abatement for the term of the SBL Mortgage plus 10 years.

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Intelligent Table Comparison: Active	
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Modified filename: 08SBL - SBL Property Fundamentals GB-06-13-24.docx	
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Delete	13
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	27

Multifamily Seller/Service Guide

Chapter 9

Borrower/Borrower Principal Fundamentals



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9.1 Introduction (09/08/04)

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

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

See Chapter 9SBL for Freddie Mac's Borrower and Borrower Principal requirements for an SBL Mortgage.

9.2 Borrower requirements (04/18/2406/13/24)

a. General Borrower requirements (02/22/2406/13/24)

1. The following types of Borrower are generally acceptable:
 - Limited partnership
 - Corporation
 - Limited liability company
 - Limited liability limited partnership
 - Tenancy-in-Common (TIC), provided that the TIC meets the requirements of Section 9.12
2. The following types of Borrower may be acceptable in limited circumstances and may be subject to additional requirements:
 - General partnership
 - Limited liability partnership
 - Revocable or irrevocable trust, including a Delaware Statutory Trust
 - Real estate investment trust (REIT)
 - Illinois, Indiana, Florida or Virginia land trust, provided that the Borrower meets the requirements of Section 9.4, or
 - Unincorporated business trust such as a Massachusetts business trust.
3. The Borrower must be an entity formed in the United States.
4. [The Borrower is not permitted to be a pension, retirement fund or account.](#)



5. Seller must immediately notify Freddie Mac if any Key Borrower Principal, or Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.
6. 4. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the Equity Conflict of Interest in writing to Freddie Mac when the Seller delivers to Freddie Mac the preliminary underwriting package for a Seller utilizing the early rate lock delivery option, or the full underwriting package for a Seller utilizing the standard delivery option. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.

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

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

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

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

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

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

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

d. Key Borrower Principal due diligence (04/18/24)

If a Key Borrower Principal falls under one of the categories noted below, then the Key Borrower Principal will be subject to additional due diligence requirements, as outlined in Section 11.6, Section 55.2, and/or the underwriting checklists:

- **First-Time Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in the past 10 years with Freddie Mac.



- **Limited Multifamily Experience Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has had Control of at least 5 properties in the past 5 years, the majority of which are or were substantially similar to the Property in the number of units or type of property.

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

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

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

A Borrower that is a limited liability company (LLC) with a single member will not be required to satisfy the above requirements if the Mortgage has an initial principal balance of \$20 million or less, unless the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are at least \$25 million in the aggregate.

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

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

1. General Borrower and Key Borrower Principal requirements

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

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



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

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

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

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

- The non-profit Borrower/Key Borrower Principal must have a minimum of three years' experience
 - In the same capacity that it will have for the proposed transaction, and
 - Acquiring, developing or owning a minimum of three properties.
- The Borrower/Key Borrower Principal must own and manage other properties in the market where the Property is located.
- The executive director and key staff of the Borrower/Key Borrower Principal must have adequate experience to successfully fulfill their respective roles and responsibilities.
- The non-profit Borrower/Key Borrower Principal must not have any unresolved internal control or compliance findings.
- The non-profit Borrower/Key Borrower Principal must have no unresolved issues of integrity or conflict of interest.

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

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

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

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

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

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

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

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

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

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

9.4 Land trusts (03/03/14)

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

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

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

9.5 Cooperatives (09/28/18)

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

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

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

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

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

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

c. Trust legal requirements (06/30/15)**1. Legal analysis**

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

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

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execute and deliver deeds, mortgages, promissory notes, and all other documents required to be executed in connection with the Mortgage.

- i. If the trust is the Borrower, the form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.

2. Additional requirements

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

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

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

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

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9. The organizational documents of each SPE Equity Owner that is required to be an SPE contain SPE covenants that meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.
10. If applicable, if the Borrower or SPE Equity Owner is a single member limited liability company, the provisions of Section 9.2(e) are met.
11. If required by Freddie Mac, the Borrower or SPE Equity Owner has one Independent Director/Manager as set forth in Section 9.2(d).

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

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

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

9.9 Preferred equity (02/16/23)

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

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

b. Definitions (02/16/23)

1. Common Equity

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

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

If Common Equity has any characteristics constituting Preferred Equity or any unacceptable attributes of Preferred Equity as noted in Sections 9 c. and d. below, it will be considered to be a Preferred Equity investment for the purpose of the Guide.



Additionally, if any other investment by the Common Equity investor, or an affiliate of the Common Equity investor, is determined to be Preferred Equity, then the Common Equity investment will be considered to be a Preferred Equity investment for the purpose of the Guide.

2. Preferred Equity

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

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

Any of the following characteristics constitute Preferred Equity:

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

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

The following are unacceptable attributes of Preferred Equity:

1. Any of the obligations related to the Preferred Equity are secured by any form of collateral
2. A Redemption Date that is prior to the maturity date of the Mortgage
3. A cash sweep at the Property level
4. The assignment of any cash reserves at the Property level other than reserves established solely from the proceeds of the equity contribution
5. An intercreditor agreement, subordination agreement, recognition agreement, or any other agreement with the Property lender to limit or delay lender’s rights or remedies
6. An equity investment that also directly or indirectly capitalizes an entity affiliated with the Borrower which owns another property (“Affiliated Property”) unless (a) Freddie Mac also



intends to purchase a mortgage secured by the Affiliated Property and (b) the Mortgage and the mortgage on the Affiliated Property will be cross-collateralized or cross-defaulted.

7. The right for the Preferred Equity investor or its assignee(s) to remove or replace the person or entity with direct or indirect control of the Borrower (“Preferred Equity Control Takeover”) based on the actions or inactions of any Person in any entity other than the Borrower or an entity in the Borrower’s ownership structure
8. The right for the Preferred Equity investor or its assignee(s) to exercise any rights or remedies based on the economic performance of a property other than the Property
9. The right for the Preferred Equity investor or its assignee(s) to make protective advances that increase the size of the Preferred Equity investment for any reason other than to pay debt service, taxes, or insurance
10. The right for the Preferred Equity investor or its assignee(s) to acquire the equity interests of (i) the person or entity with direct or indirect control of the Borrower, or (ii) any other equity owner, without purchasing those interests for fair market value
11. Documentation of additional terms and requirements of the Preferred Equity investment other than in the organizational documents (i.e., there may not be any side letters)
12. The Preferred Equity investment is subject to draws, phased or deferred funding. Any Preferred Equity investment must be fully contributed on or prior to the Origination Date.
13. The right to exercise a Preferred Equity Control Takeover based on the Property’s failure to achieve specific, quantifiable occupancy, NOI, debt service or other economic performance measures while the Property is performing under the Mortgage
14. Permits any payment to an equity investor before payment of operating expenses of the Property and all sums due to the lender under the Loan Documents
15. Includes any other attribute that Freddie Mac determines circumvents Freddie Mac’s intent with respect to an acceptable Preferred Equity investment

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

Any guaranty provided in connection with Preferred Equity must:

1. Not include a guaranty of repayment of the Preferred Equity from any person or entity that is also providing a Guaranty in connection with the Mortgage (“Mortgage Guaranty”)
2. Be expressly subordinate in all respects to the Loan Documents
3. Not include any guaranteed obligations other than:
 - Obligations that are substantially similar to the guaranteed obligations under the Mortgage Guaranty, and



- The obligation to guaranty loss or damage caused by the trigger events set forth in the document “Preferred Equity Guaranty Acceptable Trigger Events”

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

1. Prior to issuance of the Quote, the Seller/Servicer must advise Freddie Mac of any Preferred Equity, and provide the following information to the extent known:
 - Name of the Preferred Equity investor
 - Summary of the financial terms of the Preferred Equity and any Common Equity investment to be made by the Preferred Equity investor or its affiliate
 - a. Amount
 - b. Initial rate of the Preferred Equity Return (and if the rate changes, any deferred rate of the Preferred Equity Return)
 - Anticipated schedule for the funding of the Preferred Equity
 - Proposed Redemption Date
 - Any other material relating to the Preferred Equity
2. Seller/Servicer’s counsel must deliver the Equity Analysis no later than the delivery of the full underwriting package.
3. Seller/Servicer must require the Borrower to complete the Borrower’s Preferred Equity Financial Terms Summary and deliver it to Freddie Mac no later than the delivery of the full underwriting package
4. Seller/Servicer’s counsel must confirm that the operating agreement, joint venture agreement or similar agreement governing the Preferred Equity investment contains a prohibition against modifying any of the terms of the Preferred Equity, including the terms relating to the Preferred Equity Return, the Redemption Date or the amount of the Preferred Equity (except to decrease the amount of the Preferred Equity or the Preferred Equity Return) during the term of the Mortgage without the lender’s consent

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

1. The following underwriting requirements will apply to a Mortgage with Preferred Equity, and will be based upon Freddie Mac’s final determination of NOI and value:
 - The amount of all Mortgages secured by the Property plus the Preferred Equity must not exceed 90 percent of value of the Property on the Origination Date. For purposes of this calculation, the Preferred Equity will include any Common Equity investment deemed to be a Preferred Equity investment pursuant to Section 9.9 (b) above.
 - For fixed-rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage’s amortizing debt service payment and the amount of the Preferred Equity Return must be at least 1.05x.



- For Floating-Rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage's amortizing debt service payment based on the comparable fixed rate and the amount of the Preferred Equity Return must be at least 1.05x.
- 2. If the Preferred Equity investment provides that the Preferred Equity Return changes during the term of the Mortgage, Freddie Mac will use the weighted average of the total Preferred Equity Returns to calculate the DCR
- 3. If Freddie Mac permits a Preferred Equity investment that would otherwise not be permitted pursuant to Section 9.9(d)(12) above, then for purposes of underwriting the proposed Mortgage with Preferred Equity, Freddie Mac will deem any Preferred Equity not fully contributed until after the Origination Date to be fully funded on the Origination Date

9.10 Investment fund (12/14/17)

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

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

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

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

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

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

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

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



explanation of any renewal options available to extend the fund and how such renewal options are exercised.

9.11 Foreign Guarantor (02/22/24)

A Foreign Guarantor is one of the following:

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

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

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

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

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

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

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

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



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

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

1. General

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

2. Management

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

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

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

- Is a reputable management company having at least five years’ experience in the management of multifamily properties and in the metropolitan area or other appropriate geographic area in which the Property is located
- Has, for at least five years prior to its engagement as property manager, managed at least five multifamily properties
- At the time of its engagement as property manager, has units of the same property type as the Property equal to the lesser of (A) 10,000 units and (B) five

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times the number of units the Property has

- Is not the subject of a bankruptcy or similar insolvency proceeding
- Decisions for which consent from the TIC owners is required
- If the TIC owners' consent is required, the percentage required and how that consent can be given (For example, does consent need to be in writing?)
- An irrevocable power-of-attorney from the TIC owners for the Manager to deal with Freddie Mac on matters relating to the operation and maintenance of the Property

3. Limitations on TIC owners

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

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

4. Requirements related to the Mortgage

The TIC Agreement must include all of the following;

- Provision that all payments under the Mortgage have priority over distributions to the TIC owners and that all distributions to TIC owners will in all ways be subordinate and subject to the terms and conditions of the Mortgage
- Requirement that each TIC owner will promptly respond to requests for information from other TIC owners and Freddie Mac



- Requirement that each TIC owner will promptly make themselves available for execution of documents required by Freddie Mac
- Agreement that any rights of first refusal with respect to or options to purchase the Property will be subordinate to the lien of the Mortgage
- Provision that the TIC Agreement is subject to all requirements and restrictions set forth in the Freddie Mac Loan Documents, noting particularly that any provisions for transfer of ownership interests are subject to, and may be limited by, the provisions of the Loan Documents

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

If the TIC Agreement fails to fully satisfy any of the requirements outlined in Sections 9.12(a) and (b) above, and the TIC Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the TIC Agreement without it being fully compliant with this Section 9.12. If the TIC Agreement fully satisfies all of the requirements above, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:46:50 PM	
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Intelligent Table Comparison: Active	
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Delete	7
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	18

Multifamily Seller/Service Guide

Chapter 9SBL

SBL Borrower/Borrower Principal Fundamentals



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

9SBL.2 ~~Borrower and Borrower Principal requirements (04/18/24)~~ [Borrower and Borrower Principal requirements \(06/13/24\)](#)

- a. General Borrower requirements (06/16/22)
- b. Borrower Single Asset Entity (SAE) and Restricted Multiple Asset Entity (Restricted MAE) requirements (06/16/22)
- c. ~~Borrower Principal, Key Borrower Principal (including Guarantor) requirements (04/18/24)~~ [Borrower Principal, Key Borrower Principal \(including Guarantor\) requirements \(06/13/24\)](#)
- d. Guarantor requirements (04/13/23)
- e. Foreign Borrower Principal (including Foreign Guarantor) (02/22/24)
- f. Reserved (09/26/19)
- g. Borrower requirements specific to Crowdfunding (02/28/20)

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

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

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

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

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

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

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

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

9SBL.9 Preferred Equity (04/18/24)

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

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

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

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



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

This chapter details Freddie Mac's Borrower and Borrower Principal requirements for a Small Balance Loan (SBL) Mortgage. These requirements may also apply to Special Servicing Requests when appropriate.

9SBL.2 Borrower and Borrower Principal requirements (04/18/2406/13/24)

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

1. The following types of Borrower are generally acceptable:
 - Limited partnership
 - Limited liability partnership
 - Limited liability company
 - Real estate investment trust (REIT)
 - Irrevocable trusts meeting the requirements of Section 9SBL.6
 - Tenancy-in-Common (TIC) meeting the requirements of Section 9SBL.12, provided the TIC has five or fewer members
2. The following types of Borrower are not permitted:
 - Individual
 - Land trusts or business trusts (including Delaware Statutory Trusts)
 - Pension or retirement funds or accounts
 - Not-for-profit corporations
3. The following types of Borrower may be approved by Freddie Mac in its discretion:
 - Revocable trust meeting the requirements of Section 9SBL.6
 - General partnership
 - For-profit corporation
 - Restricted Multiple Asset Entity meeting the requirements of Section 9SBL.2(b)(3)
4. Borrower must be organized in the United States.
5. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the conflict in writing to Freddie Mac when the Seller

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delivers the full underwriting package.

The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.

6. Borrower must not be involved in any active bankruptcy, foreclosure, deed in lieu of foreclosure, or other liquidation proceeding.

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

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

c. Borrower Principal, Key Borrower Principal (including Guarantor) requirements (04/18/24/06/13/24)

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



- An individual meeting the Foreign Borrower Principal requirements in Section 9SBL.2(e)
- If an individual is identified as the Key Borrower Principal with the primary responsibility for the daily operations of the Property, they must reside within 100 miles of the Property

[Seller must immediately notify Freddie Mac if any Key Borrower Principal, or any Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.](#)

2. **Key Borrower Principal Requirements.** In addition to the requirements set forth above, at the time of the “as of date” of a compliant Form 1116, Real Estate Schedule, Seller Application, or submission of the full underwriting package, at least one Key Borrower Principal must:
 - Have had Control of and owned an equity interest in (including through an entity) at least three multifamily properties each with five or more units (which may include the Property), together with Control (including through an entity) of at least one of these multifamily properties for the preceding two years, without interruption, or
 - Have had Control of and owned an equity interest in (including through an entity) a multifamily property containing five or more units (which may include the Property) for at least the five preceding years, without interruption, or
 - Have had Control of and owned an equity interest in at least 10 residential units (including through an entity) consisting of 2- to 4-unit properties for a minimum of the preceding two years.
3. **Key Borrower Principal Due Diligence.** Effective for transactions taken under Seller Application on or after April 18, 2024, with respect to
 - (A) Each Key Borrower Principal with Ultimate Control or Guarantor who does not individually meet the criteria noted in subsection (c)(2) above when the Seller/Servicer received Freddie Mac approval to deliver a full underwriting package, or
 - (B) Each Key Borrower Principal with Ultimate Control or Guarantor who is a First-Time Sponsor (as defined below),then the Seller/Servicer must provide each of the following in its underwriting package:
 - Liquidity Verification documentation (See Section 55SBL.2)
 - A Form 1116, [Real Estate Schedule](#), that complies with the verification and record retention requirements set forth in Section 11.6(b) and (c).

First-Time Sponsor: When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in the past 10 years with Freddie Mac.

d. Guarantor requirements (04/13/23)

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

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

e. Foreign Borrower Principal (including Foreign Guarantor) (02/22/24)

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

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

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

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



This requirement may be satisfied in the aggregate by the Foreign Guarantor(s) exclusive of any U.S. Guarantor Liquidity.

- If there is one or more Foreign Guarantor(s) and no financially compliant U.S. Guarantor, the minimum Foreign Guarantor net worth and Liquidity requirements may be satisfied in the aggregate by the Foreign Guarantors and any non-compliant U.S. Guarantors.

f. Reserved (09/26/19)

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

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

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

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

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

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

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

Freddie Mac, in its sole discretion, may refuse to enter into a Letter of Commitment to purchase a Mortgage or allow any Transfer of Ownership under Chapter 41SBL, or approve any other

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Search indicates any of the following with regard to a Borrower, Borrower Principal, or Guarantor or any person or entity that is proposed as a potential Borrower, Borrower Principal, or Guarantor or any person or entity that Controls any Borrower, Borrower Principal, or Guarantor:

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

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

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

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

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

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

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

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

1. Legal analysis

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

- a. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the SBL Mortgage.



- b. If the trust is a Borrower, each of the following conditions must be satisfied:
- There are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.
 - There is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the SBL Mortgage).
 - A lender can enforce its security interest in the trust property in the event of a default.
 - The title insurer will provide full title protection to Freddie Mac, without exception for the trust structure.
 - The form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.
- c. If the trust is a Guarantor, each of the following conditions must be satisfied:
- The trustee is authorized to guarantee the debts of another entity.
 - There are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Guarantor's ability to guarantee the SBL Mortgage.

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

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

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

1. The entity is validly formed under the laws of the State in which it was organized.
2. For the Borrower and the general partner of a general partnership Borrower only, the entity is qualified to do business in the State in which the Property is located.
3. The entity does not expire, or in the case of an investment fund, have a termination date, during the term of the SBL Mortgage.
4. The entity has the required organizational power to execute, deliver and perform its obligations under the Loan Documents or the Guaranty (as applicable).



5. The individual executing the Loan Documents or the Guaranty (as applicable) on behalf of the entity has been properly authorized by the entity to take such actions on its behalf.
6. The entity complies with any additional Freddie Mac conditions set forth in the Guide or the Letter of Commitment.
7. There is no risk of impairment of Freddie Mac’s rights resulting from the structure or operation of the entity that would be unacceptable to a prudent institutional lender originating a mortgage loan secured by a comparable property in the same locale as the Property.

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

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

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

9SBL.9 Preferred Equity (04/18/24)

Preferred Equity is not permitted in SBL.

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

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

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

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

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

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

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



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

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Multifamily Seller/Service Guide

Chapter 19A

Originating a Targeted Affordable Housing Cash Mortgage under a Forward Commitment



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

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

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

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

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

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

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

19A.6 ~~Fees (08/18/22)~~[Fees \(06/13/24\)](#)

- a. ~~Application Fee (08/18/22)~~[Application Fee \(06/13/24\)](#)
- b. Commitment Fee (08/18/22)
- c. ~~Delivery Assurance Fee – for 9% LIHTC Forward Commitments (08/18/22)~~[Delivery Assurance Fee – for 9% LIHTC Forward Commitments \(06/13/24\)](#)
- d. Standby Fee – for Non-LIHTC Forward Commitments (08/18/22)

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

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

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

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

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

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

19A.12 ~~Conditions to Conversion (02/22/24)~~[Conditions to Conversion \(02/22/24\)](#)[Conditions to Conversion \(06/13/24\)](#)

- a. Underwriting criteria for Conversion (08/18/22)
- b. Time limit for meeting Conditions to Conversion (08/18/22)
- c. Definitions applicable to Conditions to Conversion (08/18/22)
- d. ~~Property requirements for Conversion (02/22/24)~~[Property requirements for Conversion \(06/13/24\)](#)
- e. Other Conversion criteria (08/18/22)



19A.13 ~~Loan Documents, TAH Cash Conversion Underwriting Package and notification of Conversion (04/18/24)~~[Loan Documents, TAH Cash Conversion Underwriting Package and notification of Conversion \(06/13/24\)](#)

- a. Loan Documents to be used at Conversion (12/15/22)
- b. ~~TAH Cash Conversion Underwriting Package and Conversion schedule (04/18/24)~~[TAH Cash Conversion Underwriting Package and Conversion schedule \(06/13/24\)](#)
- c. ~~Notification of release of Delivery Assurance Documents (04/18/24)~~[Notification of release of Delivery Assurance Documents \(06/13/24\)](#)
- d. ~~Conversion Acceptance Letter (12/15/22)~~[Conversion Acceptance Letter \(06/13/24\)](#)

19A.14 Overall responsibilities of parties at Conversion (04/18/24)

- a. Responsibilities of the Seller for Conversions of Funded Forward Commitments (08/18/22)
- b. Freddie Mac's responsibilities (04/18/24)

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

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

19A.17 ~~Late delivery; nondelivery (04/13/23)~~[Late delivery; nondelivery \(06/13/24\)](#)

- a. Late delivery (08/18/22)
- b. Remedies for late delivery (08/18/22)
- c. Nondelivery (04/13/23)
- d. ~~Remedies for nondelivery (08/18/22)~~[Remedies for nondelivery \(06/13/24\)](#)
- e. Calculation of the Breakage Fee (08/18/22)

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



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

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

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

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

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

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

1. Mortgages eligible for purchase under a Forward Commitment

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

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

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

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

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

2. Mortgages ineligible for purchase under a Forward Commitment:

- Preservation Rehabilitation Mortgages



- TAH Bridge Loans

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

The Seller must determine that the construction lender:

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

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

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

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

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



19A.6 Fees (~~08/18/22~~06/13/24)

The provisions of this Section 19A.6 will apply to any Forward Commitment with a revision date between 8-18-2022 and 2-27-2024. For Fee Provisions for Forward Commitments with a revision date on or after 5-20-2024, see the Forward Commitment.

a. Application Fee (~~08/18/22~~06/13/24)

The Seller must pay to Freddie Mac the ~~non-refundable~~ Application Fee, as set forth in the Forward Commitment and in Section 27.6. If the Actual Mortgage Amount at Conversion exceeds the Maximum Mortgage Amount in the Forward Commitment, then the Seller must pay to Freddie Mac the additional Application Fee described in the Conversion Acceptance Letter (as defined below) prior to the acceptance of the Conversion Acceptance Letter. The Application Fee is not refundable.

b. Commitment Fee (08/18/22)

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

c. Delivery Assurance Fee – for 9% LIHTC Forward Commitments (~~08/18/22~~06/13/24)

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



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

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

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

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

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

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

The Standby Fee is not refundable.

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

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



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

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

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

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

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

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

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

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

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



or sign-off. The Seller and its counsel must ensure that any such requests comply with all documents previously executed or approved for the transaction, including the approved plans and specifications.

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

a. General (06/15/23)

The Forward Commitment Maturity Date may be extended for one 6-month period, upon full and timely satisfaction of each and all of the conditions to extension set forth herein and payment of the extension fee (as specified in the Forward Commitment with respect to the first extension and as required by Freddie Mac in connection with any additional extension). Any extension request beyond the first 6 months will be in Freddie Mac's sole discretion and approval may be based on the satisfaction of any conditions that Freddie Mac determines in its sole discretion. An extension may require a new Appraisal, as discussed in more detail in Section 60.30.

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

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

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

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

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

1. First extension

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

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



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

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

2. Subsequent extension

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

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

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

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

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

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

Once the architect of record has executed the certification of substantial completion, the Architectural Consultant must submit to the Seller the post-construction analysis report with a final



narrative evaluation. The Seller must review this report and ensure that it meets the requirements of Section 63.5(a).

19A.12 Conditions to Conversion (~~02/22/24~~06/13/24)

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

By: (i) submission of a TAH Cash Conversion Underwriting Package and (ii) the Seller's execution of the Forward Commitment, the Seller represents and confirms to Freddie Mac that the Seller will underwrite the Mortgage described in the Forward Commitment and deliver the Mortgage in accordance with the standards set forth in the Guide, as modified by the Forward Commitment. The underwriting criteria set forth in the Guide, as made applicable to the Mortgage by the Forward Commitment and as in effect on the date of the Forward Commitment, will not be changed or modified by Freddie Mac prior to the Forward Commitment Maturity Date. Notwithstanding the foregoing, Freddie Mac reserves the right to effect changes in and modifications to its procedural requirements with respect to the delivery and Servicing of any Mortgage and the Seller agrees to adhere to any such changes and modifications.

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

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

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

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

- “*Acceptable Leases*” means legally valid, binding and enforceable written lease agreements with bona fide residential tenants (excluding employees of the Borrower or any affiliate of the Borrower) providing for initial lease terms of not less than six months and complying with all applicable laws and with the Guide.
- “*Approved Plans*” means the plans, specifications, drawings, sketches, reports, budget and completion schedule and materials specified in the Seller's full underwriting package for the Forward Commitment submitted to and approved by Freddie Mac prior to the Rate Lock date, together with such changes as have been approved for the Improvements pursuant to the terms of the Forward Commitment.
- “*Conditions to Conversion*” means, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, this Section 19A.12, and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.
- “*Event of Insolvency*” means any of the following events with respect to the Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal: (a) any of the foregoing will: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or fail to vacate the appointment of a receiver or trustee for itself or for all or any part of its property or assets; (iii) file a petition seeking relief under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; (iv) make a general assignment



for the benefit of creditors; (v) admit in writing its insolvency, bankruptcy or inability to pay its debts as they come due; (vi) have all or any substantial portion of its assets attached, seized, subjected to a writ or distress warrant, or otherwise levied upon; or (vii) be unable to or fail to pay its debts as they mature; (b) any Governmental Authority will enter an order, judgment or decree appointing a receiver or trustee for the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal for all or any part of its property or assets; (c) a petition is filed against the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal seeking relief under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; or (d) any Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal is put on probation or its activities are restricted in any manner by any Governmental Authority, or becomes subject to any order, judgment, decree, finding or regulatory action that would adversely affect such person's ability to comply in all respects with the terms and conditions of the Forward Commitment, the Lender Permanent Loan Commitment, the Mortgage, the Construction Loan documents, or any other document, instrument or certificate executed and delivered, or required to be executed and delivered, pursuant thereto.

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

d. **Property requirements for Conversion** (~~02/22/24~~06/13/24)

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

1. **Completion of Construction or Rehabilitation.** The Borrower will have completed the construction and/or rehabilitation of the Improvements on the Property (including all amenities, landscaping, signage, parking and the like, except for minor punch list and weather-sensitive items for which sufficient funds have been reserved in a repair escrow) (i) in a good and workmanlike manner and substantially in accordance with the Approved Plans, (ii) on a lien-free basis, (iii) in compliance in all material respects with all applicable treaties, conventions, statutes, laws, regulations, ordinances, permits, licenses, variances, certificates, consents, clearances, closures, exemptions, injunctions, judgments, orders, decrees, settlement agreements, decisions, actions or requirements of any Governmental Authority, subdivision requirements, fire and safety laws, the requirements of the Americans with Disabilities Act and, if applicable, the design and construction requirements established pursuant to the Fair Housing Act, as amended, and (iv) in compliance with the environmental requirements of the Guide and the Forward Commitment. The TAH Cash Conversion Underwriting Package will contain evidence of such completion as may be requested by Freddie Mac.



2. **Requirements for Borrower; Guarantor(s); Designated Entity for Transfers; Borrower Principal.** Except in accordance with the requirements set forth below, the identity of the Borrower and Guarantor(s) will remain as set forth in Exhibit B to the Forward Commitment. There will be no reduction in the direct or indirect ownership or control of the Borrower by any Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal. There will be no material adverse change in the condition, financial or otherwise, of the Borrower, any partner of the Borrower (if the Borrower is a partnership), any member of the Borrower (if the Borrower is a limited liability company), any Guarantor, Designated Entity for Transfers or Borrower Principal from that which was disclosed to Freddie Mac in the Seller's full underwriting package for the Forward Commitment. Notwithstanding the forgoing, Freddie Mac agrees that the Mortgage may be delivered by the Seller with a different tax credit fund (a "**Substitute Tax Credit Fund**"), subject to Freddie Mac's approval. As a condition to Freddie Mac's approval of a Substitute Tax Credit Fund, the Substitute Tax Credit Fund must be controlled by the same LIHTC Syndicator or LIHTC Investor as was disclosed in the Forward Commitment and must satisfy all other requirements of the Forward Commitment or the Guide, as applicable, for a qualifying tax credit fund.
3. **Minimum Occupancy Requirement.**
 - For Properties with 100 percent of units subject to rent and income restrictions:
 - Have stabilized occupancy at 85 percent for one month prior to the submission of the underwriting package for Conversion
 - Confirm and maintain stabilized occupancy at 85 percent during underwriting at Conversion
 - For Properties that do not have 100 percent of units subject to rent and income restrictions:
 - Have stabilized occupancy at 85 percent for three months prior to the submission of the underwriting package for Conversion
 - For each month from and after the date construction and/or rehabilitation of the Improvements on the Property is completed, through and including the Conversion date, the Borrower will provide to the Seller a current rent roll for that month, each certified as true and correct by the Borrower and the property manager for the Property, and such other information as may be reasonably required by the Seller and/or Freddie Mac to determine the physical occupancy of the Property.
4. **Debt Coverage Ratio Requirement.** The Property must have a Debt Coverage Ratio (DCR) that is:
 - Greater than or equal to the minimum DCR for the Mortgage product, and
 - No more than 10 basis points lower than the ~~original-underwritten~~priced DCR
5. **Actual Mortgage Amount.**



- a. At Conversion, Freddie Mac will have determined the amount of the Mortgage, in its sole discretion, using Freddie Mac's underwriting standards and criteria as of the date of the Conversion ("**Actual Mortgage Amount**"). Unless waived in writing by Freddie Mac, which waiver will be made by Freddie Mac in its sole discretion, the Actual Mortgage Amount will not exceed the Maximum Mortgage Amount and will not be less than the Minimum Mortgage Amount at Conversion, each as set forth in Exhibit A of the Forward Commitment.
- b. If the Actual Mortgage Amount is less than the Maximum Mortgage Amount but greater than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower must demonstrate to Freddie Mac's satisfaction, prior to the Conversion date, that the Borrower has secured a source of funds acceptable to Freddie Mac ("**Additional Source of Funds**") to cover the difference between the Maximum Mortgage Amount and the Actual Mortgage Amount ("**Loan Differential**"). If the Actual Mortgage Amount is less than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower and/or Breakage Obligor must pay the Modified Breakage Fee (as defined in Schedule I to the Forward Commitment) and the Borrower must show an Additional Source of Funds; provided that in the event there is a nondelivery, the Borrower and/or Breakage Obligor must pay the Breakage Fee described in Schedule I to the Forward Commitment.
- c. If the Borrower will incur additional debt to cover all or a portion of the Loan Differential and/or the Modified Breakage Fee, the additional debt must be subordinated to the Mortgage, and the terms, conditions and documentation of the additional debt must meet the requirements for Subordinate Financing as set forth in the Guide.
- d. **Additional Actual Mortgage Amount**
 1. Upon completion and lease up of the Property, and prior to the origination of the Mortgage, if the performance of the Property exceeds the pro-forma rents, occupancy and other criteria used by Freddie Mac to underwrite the Mortgage prior to the issuance of the Forward Commitment, the Seller may request the Actual Mortgage Amount be greater than the Maximum Mortgage Amount by an amount that does not exceed the Additional Actual Mortgage Amount Percentage listed in the Confirmation Sheet (or, if not listed in the Confirmation Sheet, then [for those Forward Commitments with revision dates of 2-27-2024 or earlier](#), 10%) (the "**Additional Actual Mortgage Amount Percentage**") of the Maximum Mortgage Amount (any such increase referred to as the "**Additional Actual Mortgage Amount**").
 2. In connection with a request for Additional Actual Mortgage Amount, the Seller will include in the TAH Cash Conversion Underwriting Package (i) a calculation of the Actual Mortgage Amount supporting the requested Additional Actual Mortgage Amount and (ii) a new Appraisal which complies with the requirements of Chapter 60, and which Appraisal supports the requested Additional Actual Mortgage Amount
 3. Freddie Mac's approval of any Additional Actual Mortgage Amount in excess of the Maximum Mortgage Amount will be made in Freddie Mac's own discretion based on its underwriting criteria at the time of such request.



4. To the extent the requested Additional Actual Mortgage Amount is approved by Freddie Mac, (i) the interest rate on such Additional Actual Mortgage Amount will be equal to the Mortgage interest rate determined at Rate Lock and specified in the executed and delivered Exhibit A and (ii) the Conversion Acceptance Letter delivered by Freddie Mac pursuant to Section 19A.13 (the “**Conversion Acceptance Letter**”) will also set forth: (a) the Additional Actual Mortgage Amount so approved, (b) any additional Application Fee that may be due as a result of the Additional Actual Mortgage Amount, and (c) any other updated terms and conditions related to the Additional Actual Mortgage Amount (including the deposit of a Breakage Fee related thereto) or otherwise with respect to the Mortgage.
6. **Equity Contributions; Other Funds.** The TAH Cash Conversion Underwriting Package will contain:
 - a. Assurances and evidence that the Borrower: (i) has received or will receive, fully and timely, all equity contributions as required by the Borrower’s operating documents to be made to the Borrower as of the date of Conversion, and has properly applied such equity contributions, proceeds, and other cash to the Property to the extent received, and (ii) has funded or will fund, fully and timely, all cash required to be invested in the Property; and
 - b. Assurances and evidence that: (i) either (A) all approved Subordinate Financing has been or will be received by the Borrower as of the date of Conversion; or (B), if and to the extent any approved Subordinate Financing has not or will not be received on or before the Conversion date (the “**Approved Subordinate Financing Shortfall**”), the Borrower has received or will receive, fully and timely, additional equity contributions from one or more of its partners in an amount equal to the Approved Subordinate Financing Shortfall as of the date of Conversion, and (ii) such amounts have been or will be applied to the Property.
7. **Low-Income Housing Tax Credits.** For LIHTC transactions only, the TAH Cash Conversion Underwriting Package will contain assurances and evidence that: (i) the Property is eligible for low-income housing tax credits; (ii) the Borrower has taken all steps necessary to obtain allocation of such low-income housing tax credits to the Property in the required amount; and (iii) the Property must: (A) meet the requirements of a “qualified low-income housing project” within the meaning of Section 42(g) of the Internal Revenue Code and of a “qualified residential rental project” within the meaning of Section 142(d) of the Internal Revenue Code and (B) at all times must have been in compliance with all: (1) federal, State and local low-income housing and other requirements applicable to the Property and (2) any applicable requirements of the Internal Revenue Code, and the final, proposed and temporary regulations issued under the Internal Revenue Code.
8. **Title and Survey.** The TAH Cash Conversion Underwriting Package will contain: (i) an update to the analysis of and recommendation as to the exceptions to title from the Seller and the Seller’s counsel and (ii) an ALTA “as-built” survey of the completed construction and/or rehabilitation of the Improvements on the Property, prepared by a licensed surveyor, certified to the Seller, Freddie Mac and the title insurance company and which will otherwise conform with Freddie Mac’s then-current survey requirements.
9. **Appraisal.** If required by the Guide, the Forward Commitment or the Conversion Acceptance Letter, the Seller will obtain, at the Borrower’s sole expense, a



redocumentation of the value of the Property determined by the appraisal of the Property prepared for the Seller and Freddie Mac prior to the date of the Forward Commitment. Such redocumentation of value must be in form and substance acceptable to the Seller and Freddie Mac and prepared for the Seller and Freddie Mac by a State-certified appraiser approved by the Seller or, if required by the Seller, a new Appraisal of the Property that complies with the requirements of Chapter 60.

10. **Updated Environmental Report and Post-Construction Analysis Report.** Freddie Mac will have received for review an updated Phase I environmental report, if required pursuant to the Forward Commitment and/or the Guide, and post-construction analysis report, which will include, among other things, an on-site inspection and identification of any Deferred Maintenance or Life Safety Hazards issues.
11. **Updated Legal Analyses.** The Seller's counsel will have prepared updated legal analyses on the then current forms acceptable to Freddie Mac and will have emailed those updated analyses to the Freddie Mac in-house counsel assigned to the specific transaction.
12. **Other Real Estate Due Diligence.** In addition to those items required by this Section 19A.12, review of any other agreements, documents, instruments, certificates, reports, papers and matters which are subject to Freddie Mac's review and approval under the terms of the Forward Commitment and the Guide.
13. **Absence of Change in Law.** There will be no: (i) change in federal or State law, (ii) pending or proposed legislation, (iii) decision or pending decision of any court or administrative body, (iv) ruling or regulation (including any final, temporary or proposed federal regulation), (v) official pronouncement, or (vi) other action or event that, in Freddie Mac's sole judgment, materially adversely affects or may materially adversely affect, directly or indirectly, the transactions to be effected pursuant to the Forward Commitment or Freddie Mac's ability to purchase the Mortgage.
14. **Compliance with Regulatory Agreement and Other Agreements.** The TAH Cash Conversion Underwriting Package will also contain all regulatory agreements and other agreements affecting the Property as well as evidence, satisfactory to Freddie Mac, of the Property's compliance with the terms of each. The Seller's counsel will provide Freddie Mac with an analysis for each regulatory agreement affecting the Property.
15. **Absence of Default.** There will be no uncured default, or the continuation of any event that may with the passage of time cause a default, under: (a) any of the Purchase and Servicing Documents, (b) the Mortgage Documents, (c) any approved Subordinate Financing or (d) any organizational document of the Borrower. Further, an Event of Insolvency will not have occurred at any time.
16. **Truth of Representations and Warranties.** There will be no material error or misstatement in, or omission from, any representation or warranty made by the Seller in the full underwriting package for the Forward Commitment or the TAH Cash Conversion Underwriting Package or by the Borrower in the Mortgage Documents.
17. **Payment of Fees.** All fees required by the Forward Commitment and the Guide will be paid in a timely manner and in accordance with the requirements of the Forward Commitment and the Guide.



18. **Execution and Recordation of Documents.** The release of the Mortgage and security interest of the construction lender must have been executed and recorded or delivered in escrow for recording under arrangements satisfactory to Freddie Mac.
19. **Gap or Bridge Financing Repaid.** The TAH Cash Conversion Underwriting Package will contain assurances and evidence that any gap or bridge financing provided to the Borrower has been or will be, as of the date of Conversion, paid in full and all liens imposed on the Borrower in connection with such financing have been or will be released as of the date of Conversion, including, but not limited to, the release from record of all related liens on the Property.
20. **Building Law Ordinance Insurance.** If required by Freddie Mac, building law ordinance insurance will be provided on or before the Conversion date, in form and substance acceptable to Freddie Mac.
21. **No Material Legal Action.** There must not have been any material litigation, investigation, proceeding, decree, judgment or settlement brought against or otherwise affecting the Property, the Borrower, any Borrower Principal, any partner or member (as applicable) of the Borrower, any managing officer of the Borrower, the Guarantor, or any affiliate of the foregoing, or the assets or properties thereof, from that which existed on the date of the Forward Commitment.

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

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

19A.13 Loan Documents, TAH Cash Conversion Underwriting Package and notification of Conversion (04/18/2406/13/24)

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

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

b. TAH Cash Conversion Underwriting Package and Conversion schedule (04/18/2406/13/24)

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



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

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

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

c. Notification of release of Delivery Assurance Documents (04/18/2406/13/24)

If the Seller requests that the Delivery Assurance Documents be released at Conversion, then the Seller must send notification to Freddie Mac via email no later than 30 days prior to Conversion. The notification must contain the following information:

- The name, address, telephone number, facsimile number and email address of the Title Company to be used for originating the Mortgage
- A request for the cancellation and return of the Delivery Assurance Note, if applicable
- A request for the release of the Delivery Assurance Mortgage along with a draft of the cancellation of termination or satisfaction of Delivery Assurance Mortgage enforceable in the Property's jurisdiction and supplied by Seller's counsel, if applicable

d. Conversion Acceptance Letter (12/15/2206/13/24)

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

To the extent applicable, any reference to the Forward Commitment after execution of any amendments and the Conversion Acceptance Letter will be deemed to include such amendments and the Conversion Acceptance Letter.



After Freddie Mac has executed the Conversion Acceptance Letter, the Seller must accept it, countersign it, upload it to DMS and notify the TAH Underwriter of the expected Conversion date. On the Conversion date, the Seller must notify Freddie Mac that the Conversion has occurred by providing written confirmation of the Conversion Date via email and DMS.

19A.14 Overall responsibilities of parties at Conversion (04/18/24)

a. Responsibilities of the Seller for Conversions of Funded Forward Commitments (08/18/22)

The Seller is responsible for the preparation and distribution of a Conversion escrow agreement that must satisfy the requirements of the construction lender's Master Forward Financing Agreement (in the case of a Funded Forward Commitment) and the Guide. The Seller is also responsible for the payoff of the Construction Loan.

b. Freddie Mac's responsibilities (04/18/24)

Freddie Mac will coordinate with the Seller the delivery of the following collateral documents to the Title Company:

- Delivery Assurance Note marked paid and cancelled, if applicable
- Release of Delivery Assurance Mortgage, if applicable
- Any other escrow documents held by Freddie Mac

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

Freddie Mac will authorize the release of the documents delivered by Freddie Mac to the escrow agent upon

- The Seller's delivery to the escrow agent for recordation of the assignment of the Mortgage, assigning the Seller's interest to Freddie Mac,
- The escrow agent's confirmation that it has in its possession the lender's final policy of title insurance to be delivered to Freddie Mac with the Final Delivery Package, which title policy meets the requirements of the Guide and insures the first lien priority of the Mortgage, and
- The Seller's certification that the Seller has all of the items required by the Guide for final delivery of the Mortgage

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

The provisions of Chapter 32 apply with respect to final delivery and funding.

19A.17 Late delivery; nondelivery (~~04/13/23~~06/13/24)

a. Late delivery (08/18/22)

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of a Mortgage:



- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date.
- The Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents.

b. Remedies for late delivery (08/18/22)

The provisions of Section 27.26(b) apply.

c. Nondelivery (04/13/23)

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of a Mortgage:

- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date
- The Mortgage, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents
- After issuance of the Forward Commitment, there has been a material adverse change from what was disclosed to Freddie Mac in the full underwriting package in either of the following:
 - The financial position of the Borrower, any Key Borrower Principal or the Guarantor
 - The condition of the Property
- The Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents

d. Remedies for nondelivery (08/18/22 06/13/24)

If Freddie Mac determines that there has been a nondelivery of a Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Taking any other action set forth in the Forward Commitment or in Chapter 4
- Charging the Seller a Breakage Fee (including any additional Breakage Fee as required by the Forward Commitment)
- Taking whatever action is necessary to collect the Delivery Assurance Fee



e. Calculation of the Breakage Fee (08/18/22)

As liquidated damages for the nondelivery of a Mortgage, Freddie Mac will charge the Seller a Breakage Fee, calculated in accordance with the formula set forth in the Forward Commitment.

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

Freddie Mac will have the right to assign or otherwise transfer the Forward Commitment, or any mandatory Purchase Contract resulting from the Forward Commitment, to any affiliate or subsidiary of Freddie Mac without the consent of the Seller/Service ("Freddie Mac Assignment"). After a Freddie Mac Assignment, all references to Freddie Mac in the Forward Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:48:40 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 19A - Originating a TAH Cash Forward Commitment GB-04-18-24.docx	
Modified filename: 19A - Originating a TAH Cash Forward Commitment GB-06-13-24.docx	
Changes:	
<u>Add</u>	37
Delete	30
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	67

Multifamily Seller/Service Guide

Chapter 25A

Originating a Targeted Affordable Housing Tax-Exempt Loan under a Forward Commitment



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 - a. Availability of Forward Commitments (08/17/23)
 - b. Loan structure (08/17/23)
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- 25A.12 Assignment (08/17/23)



25A.1 Overview of Forward Commitments for Tax-Exempt Loans (08/17/23)

a. Availability of Forward Commitments (08/17/23)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Tax-Exempt Loan (TEL) originated under the TAH TEL Purchase Program pursuant to a Forward Commitment (Forward TEL). To be eligible to enter into a Forward Commitment for a Forward TEL, a TAH Seller/Servicer must meet the requirements specified in Section 3.13.

The Seller and Freddie Mac will both rely on Single Counsel for TELs. See Sections 25.2, 25A.3(d), and 25A.4 for a description of services Single Counsel may provide for a Forward TEL transaction and the fees associated with such services.

With respect to Forward TELs:

- All references to Seller’s counsel in this chapter should be deemed to refer to Single Counsel.
- All references to “Loan Agreement” in this chapter should be deemed to refer to the Continuing Covenant Agreement published under “TEL” at mf.freddie.com/lenders/legal/tah-documents.html.
- All references to other Loan Documents in this chapter will be deemed to refer to the documents published under “TEL” at mf.freddie.com/lenders/legal/tah-documents.html.
- Seller will be deemed to have made to Freddie Mac all of the Seller/Servicer Representations and Warranties set forth in this Guide, as well as those found on the Freddie Mac website at mf.freddie.com, which are incorporated by reference pursuant to Chapter 5, except that the Seller/Servicer Representations and Warranties regarding (a) authorization and execution of documents and (b) enforceability of documents will apply with respect to each of the Loan Documents. All such Seller/Servicer Representations and Warranties will be deemed to have been made as of the (1) the date of the Forward Commitment, (2) the date of Rate Lock, (3) the date of the Conversion, (4) the date on which Seller delivers the TEL to Freddie Mac, and (5) the Freddie Mac Funding Date, and all references in such Seller/Servicer Representations and Warranties to the date of “final delivery” will be deemed to refer to the Freddie Mac Funding Date.

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

b. Loan structure (08/17/23)

A Forward TEL requires a back-to-back loan structure. First, a construction lender originates and funds the TEL to a governmental lender. The TEL is evidenced by a tax-exempt governmental note delivered by the governmental lender to the construction lender, which may bear interest at a variable rate or, with the consent of bond counsel, a fixed rate. During the Permanent Phase (defined below) the tax-exempt governmental note will bear interest at a fixed rate. The governmental lender will use the proceeds of the TEL to fund a separate mortgage loan to the Borrower with matching economic terms. The TEL will be a

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nonrecourse obligation of the governmental lender secured solely by receipts and revenues from the mortgage loan to the Borrower and the collateral pledged therefor. The Borrower's payment obligations in respect of the mortgage loan will be evidenced by a Note delivered to the governmental lender and are secured by a Security Instrument encumbering the Property in favor of the governmental lender. The governmental lender will endorse the Note and assign the Security Instrument to a fiscal agent as security for the TEL. The construction lender is responsible for administering the TEL and the Borrower's mortgage loan during the construction phase of the improvements on the Property. Upon satisfaction of the Conditions to Conversion, the Seller will purchase the TEL from the construction lender. If Freddie Mac subsequently purchases the TEL from the Seller as evidenced by the tax-exempt governmental note, then payments made by the Borrower under its mortgage loan documents will be collected by the Servicer and paid to Freddie Mac, as owner of the TEL, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver the Borrower's loan payments to the fiscal agent, and the fiscal agent will pay Freddie Mac according to its instructions. The Servicer will retain the Servicing Spread and any recurring fees of other parties to the transaction that are payable from monthly collections under the transaction documents, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver any recurring fees of other parties to the transaction to the fiscal agent, and the fiscal agent will pay such other parties according to the transaction documents.

c. Loan purpose (08/17/23)

A Mortgage is eligible for purchase by Freddie Mac under the TAH TEL Purchase Program pursuant to a Forward Commitment if it is originated for the purpose of new construction or substantial rehabilitation. However, Preservation Rehabilitation Mortgages are not eligible for Forward Commitments.

Additionally, the Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of Rate Lock.

d. Mortgage requirements applicable to Forward TELs (08/17/23)

Except as otherwise stated in this chapter, a Forward TEL must meet all of the requirements of Chapter 25. In addition, see the following sections in this Guide for additional requirements:

- Section 19A.1(c): Freddie Mac's review of construction documentation
- Section 19A.3: Forward Commitment Property Inspection
- Section 19A.4: Construction lender
- Section 19A.9: Construction Monitoring
- Section 19A.11: Complete Property Inspection
- Section 19A.17: Late delivery; nondelivery (provided, however, that the last bullet point of Section 19A.17(d) is inapplicable to Forward TELs)



25A.2 Description of a Forward Commitment (08/17/23)

A Forward Commitment provides a single source of construction and permanent financing for new construction or substantial rehabilitation of a Property that qualifies as a Targeted Affordable Housing Product. In this chapter, the term “construction” will include substantial rehabilitation. Only an Unfunded Forward Commitment is allowed in the TAH TEL Purchase Program. In an Unfunded Forward Commitment, Conversion does not occur, and Freddie Mac does not purchase the TEL, until construction has been completed and all Conditions to Conversion have been satisfied.

For a Forward TEL, the term of the “Construction Phase” begins on the Origination Date of the TEL and ends on the date of the Conversion (Conversion Date). The Conversion must occur on or before the “Forward Commitment Maturity Date” as set forth in the Forward Commitment, as such date may be extended by Freddie Mac pursuant to the terms of the Forward Commitment and the Construction Phase Financing Agreement. The term of the “Permanent Phase” begins on the Conversion Date and ends on the maturity date of the TEL. The Construction Phase and the Permanent Phase may be lengthened or shortened based on the actual Conversion Date.

The Forward Commitment is executed by the Seller and Freddie Mac. In it, Freddie Mac commits to locking the interest rate for the Permanent Phase, sets forth the maximum amount of the TEL during the Permanent Phase, determines the Forward Commitment Maturity Date, and describes any Conditions to Conversion and any conditions to its purchase of the TEL. The Seller commits to purchasing the tax-exempt governmental note from the construction lender when the project is complete and has satisfied the Conditions to Conversion. The Property must reach stabilization and meet the Conditions to Conversion set forth in Section 25A.7 before the TEL can convert to the Permanent Phase.

25A.3 Fees (08/17/23 06/13/24)

[The provisions of this Section 25A.3 will apply to any Forward Commitment with a revision date between 8-1-2023 and 5-1-2024. For Fee Provisions for Forward Commitments with a revision date on or after 5-20-2024, see the Forward Commitment.](#)

a. Application Fee (08/17/23 06/13/24)

The Seller must pay to Freddie Mac the ~~non-refundable~~ Application Fee, as set forth in the Forward Commitment and in Section 27.6. If, at Conversion, the Actual Loan Amount (as defined below) exceeds the Rate Locked Maximum Funding Loan Amount stated in the Confirmation Sheet, then the Seller must pay to Freddie Mac the additional Application Fee described in the Conversion Acceptance Letter delivered by Freddie Mac pursuant to Section 25A.9 (“**Conversion Acceptance Letter**”) prior to the acceptance of the Conversion Acceptance Letter. [The Application Fee is not refundable.](#)

b. Commitment Fee (08/17/23)

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

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any interest accrued thereon, will be retained by Freddie Mac. If the Mortgage is delivered to Freddie Mac by the Mandatory Delivery Date and purchased by Freddie Mac, the Commitment Fee will be refunded in accordance with this Guide.

c. Standby Fee (08/17/23)

In addition to the Application Fee and the Commitment Fee, the Seller must pay a non-refundable standby fee (“**Standby Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment, for each year (or partial year, prorated) of the Construction Phase. The Standby Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock.

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

d. Fees and expenses of Single Counsel (08/17/23)

See Section 25.2 for a description of the applicable legal fees and expenses for Single Counsel. With respect to fees and expenses for Single Counsel at Conversion, the Seller must pay the legal fees and expenses (based on actual time and hourly rates) of Single Counsel for representing both Freddie Mac and the Seller in connection with the Conversion on or before the Conversion Date. The Seller may, at its option, obtain from the Borrower the funds with which to pay or reimburse the fees and expenses of Single Counsel in connection with Conversion. Nevertheless, Seller is responsible for the payment of Single Counsel’s fees and expenses regardless of whether the Seller obtains a deposit for such funds from the Borrower or is successful in obtaining such funds at a later date. See Section 25A.4 for further discussion of Single Counsel’s role and documentation responsibilities in the context of Forward TELs.

25A.4 Single Counsel and Documentation Responsibilities (08/17/23)

See Section 25.2 regarding general requirements for Single Counsel in TEL. Regarding Forward TELs and Conversions of Forward TELs, the following additional provisions apply:

1. Single Counsel will prepare the Construction Phase Financing Agreement to be effective on the Origination Date. Single Counsel will also prepare the relevant Loan Documents for the transaction and will attach those documents to the Construction Phase Financing Agreement.
2. Construction Lender's counsel will be responsible for preparing its construction loan agreement, loan disbursement agreement, security instrument and project note to be in effect during the construction phase, together with its other construction loan documents.

25A.5 Conditions Precedent to Rate Lock (08/17/23)

Prior to locking the interest rate for the Permanent Phase, Seller must deliver each of the following items in form acceptable to Freddie Mac:

- Drafts of the Loan Documents required by the Forward Commitment in substantially final form



- Drafts of the required opinions of bond counsel, counsel to the fiscal agent, and counsel to the Borrower, SPE Equity Owner (if applicable) and Guarantor in substantially final form
- A pro forma title insurance policy which takes no exceptions for materialmen's or mechanics' liens by any party and otherwise meets the requirements of this Guide
- A survey of the Property, if one is required by the Forward Commitment, meeting the requirements of this Guide
- Drafts of the organizational documents of the Borrower, including Borrower's amended and restated operating or partnership agreement (as applicable), in substantially final form
- Final drafts (or copies of executed versions, as applicable) of all documentation concerning approved Subordinate Financing (if any) and laundry and commercial leases, including such subordination agreements as are required by the Forward Commitment
- Final drafts of the land use restriction agreements or similar instruments to be executed by the Borrower in connection with the TEL
- Evidence of final approval from the governmental lender
- For LIHTC properties, a copy of the 42(m) letter for the Property
- For LIHTC properties, evidence of final approval from the LIHTC equity investor
- Evidence of final approval from the construction lender to originate the TEL

25A.6 Extending the Forward Commitment (~~08/17/23~~[06/13/24](#))

The provisions of Section 19A.10 apply, except for the following additional requirements:

- With respect to Section 19A.10(a), the first bullet point is inapplicable to Forward TELs [with Forward Commitments having a revision date of 5-1-2024 or earlier](#).
- Freddie Mac may require, in its sole discretion, an opinion of bond counsel that the extension of the start date of the amortization schedule will not, in and of itself, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note.

25A.7 Conditions to Conversion ([02/22/24](#))

The provisions of Section 19A.12 apply to Conversions of Forward Commitments for TELs, except as otherwise stated below and in Section 25A.8. In addition, (i) wherever there is a reference in Section 19A.12 to "TAH Cash Conversion Underwriting Package", it should be deemed to mean "TAH TEL Conversion Underwriting Package" and (ii) wherever there is a reference in Section 19A.12 to 9% LIHTC, it should be deemed to mean 4% LIHTC.

a. [Property requirements for Conversion \(02/22/24\)](#)

1. Title and Survey



Freddie Mac will have received each of the following meeting the requirements of this Guide and otherwise acceptable to Freddie Mac:

- An update to the analysis of and recommendation as to the exceptions to title from the Seller and Single Counsel
- A commitment to insure together with a pro-forma endorsement for the final date-down endorsement for the title policy or a pro-forma for a new title policy, in either case insuring the lien of the Security Instrument, as amended and restated on the Conversion Date, which endorsement or policy contain no exceptions to title, except as may be approved by Freddie Mac and otherwise in conformance with Freddie Mac's then-current title requirements
- An ALTA "as-built" survey of the completed construction and/or rehabilitation of the Improvements on the Property, prepared by a licensed surveyor, certified to the Seller, Freddie Mac and the title insurance company and which will otherwise conform with Freddie Mac's then-current survey requirements

2. Execution and Recordation of Documents

The release or assignment to the Seller of any security interest of the construction lender must have been executed and recorded or delivered in escrow for recording under arrangements satisfactory to Freddie Mac, as applicable.

b. Amortization Schedules (08/17/23)

Unless Conversion occurs on the Forward Commitment Maturity Date and at the Rate Locked Maximum Funding Loan Amount stated in the Confirmation Sheet, the Servicer will have prepared and delivered to Freddie Mac (with a copy to the fiscal agent) replacement amortization schedules for the project note and the tax-exempt governmental note.

c. Requirements of Other Parties (08/17/23)

All conditions to Freddie Mac's purchase of the tax-exempt governmental note set forth in the Loan Documents and all other requirements of the governmental lender, the fiscal agent and the construction lender in connection with Conversion must have been satisfied.

d. Opinion of counsel to Borrower and Guarantor (08/17/23)

Freddie Mac and the Seller will have received a final form of an opinion of counsel to the Borrower and Guarantor in form and substance acceptable to Freddie Mac and the Seller.

e. Opinion of bond counsel (08/17/23)

The governmental lender, the fiscal agent, Freddie Mac and the Seller will have received an opinion of bond counsel to the effect that the occurrence of Conversion will not, in and of itself, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note.



f. Termination of Completion Guaranty (08/17/23)

Any guaranty of completion executed by the Borrower, any Borrower Principal, any partner of the Borrower (if Borrower is a partnership), any member of Borrower (if Borrower is a limited liability company), the Borrower Principal(s) or the Guarantor, will terminate on the Conversion Date.

g. Other Conversion Criteria (08/17/23)

Any special terms or conditions specified in the Forward Commitment and in the Construction Phase Financing Agreement must be satisfied.

25A.8 Determination of Actual Loan Amount; Mandatory paydown (02/22/2406/13/24)

a. Actual Loan Amount (08/17/23)

At Conversion, Freddie Mac will have determined the amount of the TEL which will be outstanding as of the Conversion Date, in its sole discretion, using Freddie Mac's underwriting standards and criteria as of the Conversion Date ("**Actual Loan Amount**"). Unless approved in writing by Freddie Mac, which waiver will be made by Freddie Mac in its sole discretion, the Actual Loan Amount will not exceed the Rate Locked Maximum Funding Loan Amount and will not be less than the Minimum Loan Amount at Conversion, each as set forth in the Confirmation Sheet.

If the Actual Loan Amount is (i) less than the Rate Locked Maximum Funding Loan Amount or (ii) less than the Minimum Loan Amount at Conversion and Freddie Mac, in its sole and absolute discretion, has nevertheless agreed to purchase the TEL, then the Borrower must demonstrate to Freddie Mac's satisfaction, in its sole and absolute discretion, that the Borrower has secured a source of funds acceptable to Freddie Mac ("**Additional Source of Funds**"), to cover the difference between the outstanding principal amount of the TEL and the Actual Loan Amount ("**Loan Differential**").

If the Borrower has the necessary funds or can secure an Additional Source of Funds to fund payment of the Loan Differential, the Borrower must make a prepayment of a portion of its mortgage loan so as to cause a corresponding prepayment of the TEL on or prior to the Conversion Date in an amount equal to the Loan Differential. Moreover, if the Borrower will incur additional debt to cover all or a portion of the Loan Differential in order to effectuate a paydown of the TEL, such additional debt must be subordinated to the TEL, and the terms, conditions and documentation of the additional debt must meet the requirements for Subordinate Financing set forth in this Guide.

b. Additional Actual Loan Amount (02/22/2406/13/24)

If upon completion and lease up of the Property, the performance of the Property exceeds the pro-forma rents, occupancy and other criteria used by Freddie Mac to underwrite the TEL prior to the issuance of the Forward Commitment, the Seller may request at the time Seller delivers its TAH TEL Conversion Underwriting Package that the Actual Loan Amount be increased beyond the Rate Locked Maximum Funding Loan Amount as set forth in the Confirmation Sheet by an amount that does not exceed the Additional Actual Loan Amount Percentage listed in the Confirmation Sheet (or, if not listed in the Confirmation Sheet, then [for those Forward Commitments with revision dates of 2-29-2024 or earlier](#), 10%) (the "**Additional**



Actual Loan Amount Percentage”) of such Rate Locked Maximum Funding Loan Amount (any such increase referred to as the “**Additional Actual Loan Amount**”); provided, however, in no event will the Actual Loan Amount at Conversion exceed the amount of the TEL outstanding immediately prior to Conversion.

In connection with any such request, Seller will include in its TAH TEL Conversion Underwriting Package each of the following:

- Seller’s calculation of the Actual Loan Amount supporting the requested Additional Actual Loan Amount based on the performance of the Property
- A new Appraisal which complies with the requirements of Chapter 60, and which Appraisal supports the requested Additional Actual Loan Amount

Freddie Mac’s approval of any Additional Actual Loan Amount will be made in Freddie Mac’s discretion based on its underwriting criteria at the time of such request.

To the extent the requested Additional Actual Loan Amount is approved by Freddie Mac:

- The interest rate on such Additional Actual Loan Amount will be equal to the Permanent Phase Interest Rate determined at Rate Lock and specified in the executed and delivered Confirmation Sheet
- The Conversion Acceptance Letter delivered by Freddie Mac will set forth (i) the Additional Actual Loan Amount so approved and (ii) any other updated terms and conditions related to the Additional Actual Loan Amount (including the payment of an Application Fee related thereto) or otherwise with respect to the TEL
- Such approval is conditioned upon the opinion of bond counsel referenced in Section 25A.7(e) including an opinion to the effect that each of the increased Actual Loan Amount and revised amortization schedule delivered pursuant to Section 25A.7(b) will not, in and of themselves, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note

25A.9 TAH TEL Conversion Underwriting Package and Conversion Acceptance Letter (08/17/23)

The provisions of Section 19A.13(b) and 19A.13(d) apply, except that (i) wherever there is a reference to “TAH Cash Conversion Underwriting Package”, it should be deemed to mean “TAH TEL Conversion Underwriting Package” and (ii) wherever there is a reference to “Actual Mortgage Amount” or “Additional Actual Mortgage Amount”, such reference should be deemed to mean “Actual Loan Amount” or “Additional Actual Loan Amount”, respectively.

25A.10 Loan Documents to be used at Conversion (08/17/23)

The provisions of Chapter 25 apply regarding the Loan Documents in TEL, with the exception that a Forward TEL must be documented using the forms of TEL loan documents which were published at mf.freddie.com/lenders/legal/tah-documents.html at the time of the Forward Commitment Rate Lock, and as attached to the Construction Phase Financing Agreement.



25A.11 Final delivery, Funding (08/17/23)

The provisions of Chapter 32 apply, with the exception that the Final Delivery Table of Contents refers to the Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan.

25A.12 Assignment (08/17/23)

Freddie Mac will have the right to assign or otherwise transfer the Forward Commitment, or any mandatory Purchase Contract resulting from the Forward Commitment, to any affiliate or subsidiary of Freddie Mac without the consent of Seller/Service ("Freddie Mac Assignment"). After a Freddie Mac Assignment, all references to Freddie Mac in the Forward Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:49:33 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 25A - Originating TAH TELs under a Fwd Commit GB-02-22-24.docx	
Modified filename: 25A - Originating TAH TELs under a Fwd Commit GB-06-13-24.docx	
Changes:	
<u>Add</u>	17
Delete	13
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	30

Multifamily Seller/Servicer Guide

Chapter 39

Administration of Reserves; Monitoring Repairs



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- 39.4 ~~Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier (04/18/24)~~ [Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier \(06/13/24\)](#)
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- a. Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)
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39.1 General requirements for the administration of Reserves and monitoring repairs (02/29/16)

a. Delivery of documents and notices to Freddie Mac (02/29/16)

1. Electronic Delivery

When this chapter requires electronic delivery of backup documentation related to the completion or partial completion of repairs, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Property Reporting System (PRS).

When this chapter requires electronic delivery of documents related to post-origination transactions, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify:

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, “*Structured Transactions*”
- For all other Mortgages, “*Borrower Transactions*”

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver the original to
 - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
 - For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

b. Reserve Custodial Accounts (05/01/14)

The Servicer must hold Reserves in Custodial Accounts in accordance with the requirements of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold all Reserves in Custodial Accounts meeting the requirements of Chapter 52.

The Seller/Servicer must provide Freddie Mac all Custodial Account documentation required by Chapter 52.

The Servicer must service all Reserve Custodial Accounts required or permitted under this chapter in accordance with the Loan Documents, this chapter, Chapter 52 and other applicable sections of the Guide, and industry-accepted practices.

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39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges (10/19/23)

a. Reserve requirements (04/30/19)

1. Unless Freddie Mac has deferred its right to require a Reserve for any item(s), the Servicer must collect Reserves for:
 - Taxes
 - Ground rents
 - Assessments and charges that may, if not paid on a timely basis, become prior liens on the Property
 - Premiums on all insurance policies (individual policies, Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties) required by Chapter 31 and/or the Purchase and Servicing Documents
 - Cap fee deposits for an ARM with an interest rate cap or swap agreement with a third-party provider that expires before the Mortgage maturity date

For taxes, ground rents, assessments, cap fee deposits and premiums for individual insurance policies, if the Servicer is collecting a Reserve when Freddie Mac purchases the Mortgage, the Servicer must continue to collect 1/12 of the yearly charge for each Reserve together with each monthly installment payable under the Note.

For Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties, the Seller/Servicer must do one of the following:

- Collect 1/12 of the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies with each monthly installment payable under the Note.
- Collect 1/12 of an amount sufficient to purchase an individual insurance policy or policies with each monthly installment payable under the Note.
- Collect an amount sufficient to pay the annual premium for an individual insurance policy or policies for the Property.

See Section 31.2(c) for additional information regarding Reserves for insurance premiums.

2. If a Borrower obtains a Supplemental Mortgage, then beginning on the Origination Date of the Supplemental Mortgage, the Servicer of the most senior Mortgage will begin to collect Reserve deposits for taxes, ground rents (if applicable), insurance, and Replacement Reserves, unless one of the following circumstances exists:



- The Mortgaged Property is a Cooperative, and collection of those Reserves was deferred at origination of the most senior Mortgage
 - The Loan Documents for the most senior Mortgage explicitly provide for continued deferral of Reserve deposits following origination of a Supplemental Mortgage (for items other than insurance)
 - The Loan Documents for the most senior Mortgage explicitly provide for the continued deferral of Reserve deposits for insurance because the Mortgaged Property was covered under a Blanket Insurance policy or a master insurance policy and under the Supplemental Mortgage, the Mortgaged Property will continue to be covered under a Blanket Insurance policy or a master insurance policy.
3. The Servicer must pay, at its own expense, any interest payable to the Borrower for Reserve funds or any other funds held by the Servicer, whether due to contractual agreement or operation of law. The Servicer must use funds deposited in a Reserve only for items related to the purpose for which the Reserve was established. The Servicer may not withdraw miscellaneous costs, including Uniform Commercial Code (UCC) filing fees, overnight delivery charges and/or late payment fees, from the Reserve.

The Servicer must obtain bills for and pay all Reserve items before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all Reserve items.

At least annually, the Servicer must compute the required Reserve installment amounts based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected or have been collected to meet all Reserve payments. If the amount held in Reserve by the Servicer, together with the future monthly Reserve installments, exceeds the amount required to pay Reserve items as they fall due, the Servicer must either repay the excess promptly to the Borrower (if there is no default under the terms of the Loan Documents) or credit the excess to the Borrower by a reduction in monthly Reserve installments.

If the Servicer deems the amount held in Reserve insufficient to pay Reserve items when due, the Servicer must obtain the necessary additional funds from the Borrower before the latest date on which the charges may be paid prior to penalty, lapse of insurance policies, etc. If the Borrower fails to remit the deficient amount, or if there is insufficient time to obtain the amount, the Servicer must pay any Reserve items due and reflect a shortage in the Borrower's Reserve. However, during any period in which the Borrower is in bankruptcy, the Servicer may not make any advance in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

For Mortgages originated under this Guide, the Servicer must advance the shortage in accordance with Section 52.15 and must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any advance is unresolved for 30 days.

For Delegated TAH Mortgages, the Servicer must advance the shortage to the extent permitted or described in its Delegated TAH Master Agreement.



To the extent permitted by the Loan Documents and applicable law, the Servicer may, without Freddie Mac's prior approval, start collecting Reserves not previously required, but may not discontinue collecting Reserves without Freddie Mac's prior written approval.

b. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicing-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing that all of the following have been paid during the preceding fiscal year and are not then delinquent, except as otherwise set forth in the certification:

1. Insurance premiums
2. Ground rents
3. Assessments
4. Taxes
5. Other charges that may, if not paid on a timely basis, become prior liens on the Property

If any such items are delinquent, the certification must describe the nature of the delinquency and the steps being taken to cure that delinquency.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available on FreddieMac.com, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

c. Requirements when Reserves are not collected (10/19/23)

If Freddie Mac has deferred its right to collect Reserves for any item, or if the Loan Documents or applicable law do not provide for the collection of Reserves or if Reserves were not being collected for some or all items when the Mortgage was sold to Freddie Mac, the Servicer must proceed as follows:

1. Verification of payment

At least annually, the Servicer must either require the Borrower to furnish proof of payment of all taxes, insurance premiums, ground rents, assessments and other charges or use other reliable means (such as tax services) commonly employed by private institutional mortgage investors to determine that these items have been paid.

2. Additional verification for Mortgages with a Risk Rating greater than six

On a semi-annual basis, for each Mortgage secured by a Property with a Risk Rating greater than six, or any Mortgage otherwise identified by Freddie Mac to the Servicer, the Servicer must:



- Require the Borrower to furnish proof of payment of water and sewer charges, or
- Require the Borrower to provide a certification that the water and sewer charges have been paid, or
- Use other reliable means commonly employed by private institutional mortgage investors to determine that water and sewage charges have been paid

Acceptable proof of payment includes copies of paid receipts and/or cancelled checks, and the corresponding water and sewer bills showing the previous amount paid.

3. Demand upon Borrower

If the Servicer discovers that any charge listed in item 1 or 2, above, has not been paid, the Servicer must immediately contact the Borrower in writing and require the Borrower to provide proof of payment within 10 days and provide Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* with a copy of such notice.

4. Advances by Servicer

For Delegated TAH Mortgages, advances by the Servicer are governed by its Delegated TAH Master Agreement.

For all other Mortgages, if the Borrower fails to pay any charge listed in item 1 or does not provide proof of that payment within the required 10 days, the Servicer must advance funds for the unpaid charge and any applicable penalty unless the Borrower is in bankruptcy.

If the Servicer fails to advance funds for the unpaid charge, Freddie Mac will hold the Servicer solely responsible for any penalties, interest or related charges resulting from the Servicer's failure to make the advance. If the Borrower is in bankruptcy, the Servicer may not make any advances in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

The Servicer must attempt to work out an arrangement with the Borrower for repayment of any advance and, if allowed by law and the Loan Documents, must begin to collect Reserves for future charges.

If the Servicer cannot reach an agreement with the Borrower for the Borrower's repayment of the advanced amount or if the Borrower fails to comply with the terms of any such arrangement or refuses to set up a Reserve for future charges, the Servicer must promptly notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* of all advances and must immediately recommend, in writing, a plan to protect Freddie Mac's interest.



39.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements (10/12/17)

a. Reserve requirements (10/12/17)

For each Multifamily Mortgage, the Seller/Servicer must establish at the time of Mortgage closing a Repair Reserve, a Replacement Reserve, a Special Purpose Reserve, and a Rental Achievement Reserve to the extent required by Freddie Mac's Letter of Commitment or early rate-lock application. The Seller/Servicer must ensure that upon purchase of the Mortgage, Freddie Mac has a security interest in all amounts deposited in the Repair Reserve, Replacement Reserve, Special Purpose Reserve and Rental Achievement Reserve to further secure all of the Borrower's obligations under the Mortgage.

1. Repair Reserve

Funds deposited into the Repair Reserve may be used solely to defray the costs of required repairs to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

Funds deposited into the Repair Reserve for the purpose of undertaking Green Improvements may be used solely to defray the costs of Green Improvements to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

2. Replacement Reserve

For non-SBL Mortgages and for SBL Mortgages documented on Loan Agreement forms with a revision date of 11-02-2015 or earlier, funds deposited into the Replacement Reserve may be used solely to defray the costs of future replacements of items of real and personal property, as set forth in the Replacement Reserve Agreement or Loan Agreement.

For SBL Mortgages documented on Loan Agreement forms with a revision date after 11-02-2015, funds deposited into the Replacement Reserve may be used to defray the costs of future replacements of items of real and personal property specified in the Loan Agreement, including, if applicable, completion of Priority Repairs and PR-90 Repairs identified in the SBL Physical Risk Report, as set forth in the Loan Agreement.

For Supplemental Mortgages, no new replacement items should be permitted to be drawn from the Replacement Reserve that were not already permitted under the most senior Mortgage unless Replacement Reserve collection will increase accordingly. The Borrower and Seller/Servicer must request that the Loan Documents on the most senior Mortgage be modified to allow the increase to occur. The Borrower and Seller/Servicer must coordinate the request with the holder of the most senior Mortgage.

In all cases, this Section 39.3(a)(2) is subject to the provisions of Section 39.6(b).

3. Rental Achievement Reserve

Funds deposited into the Rental Achievement Reserve, or letters of credit securing Borrower's obligations under a Rental Achievement Agreement or Loan Agreement must be held as continued security for Borrower's obligations under the agreement.

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4. Special Purpose Reserve

Funds deposited into the Special Purpose Reserve pursuant to the Loan Agreement must be held as continued security for Borrower's obligations under the Loan Agreement.

b. Recordkeeping (10/14/16)

The Servicer must maintain accurate and complete books and records in connection with its administration of the Repair Reserve and Replacement Reserve, Special Purpose Reserve, and Rental Achievement Agreement Reserve, including maintaining in its files every disbursement request received, together with any invoices, lien waivers, budgets, engineer's certification or other documentation received in connection with any such disbursement request.

c. Investment of funds (10/14/16)

Unless the Commitment or early rate-lock application specifies otherwise, the Servicer may accept only cash or a check (subject to collection) from the Borrower for deposit into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve. Funds deposited into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve must be held and invested by the Servicer in accordance with the provisions of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold and invest the funds in accordance with the provisions of Section 52.4.

d. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicer-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing within 90 days after the end of the Servicer's fiscal year that all Reserve collections and disbursements have been made in accordance with the applicable Reserve agreements. The Servicer must explain in writing any discrepancies from the agreements and provide a description of the steps being taken to resolve each matter.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available at mf.freddiemac.com/lenders/guide, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

39.4 Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier (04/18/24/06/13/24)

This Section 39.4 applies to all non-SBL Mortgages and to any SBL Mortgages with Loan Agreement forms with revision dates of 11-02-2015 or earlier.

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement Rider relating to repairs or

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other agreement involving repairs or improvements to the Property will be referred to as a “Repair Agreement.”

a. Monitoring and timely completion of repairs (02/28/19)

The Servicer must monitor the applicable completion date(s) under each Repair Agreement and work with the Borrower to ensure that all repairs are completed on a timely basis.

The Servicer must notify Freddie Mac within 10 Business Days following the Servicer's confirmation of the Borrower's completion of all repairs under a Repair Agreement.

- For all repairs except Green Improvements, this notification must be on the Borrower Certification – Completion of Repairs form, found at mf.freddiemac.com, and must be submitted to Freddie Mac via PRS.
- For repairs classified as a Green Improvements, this notification must be on the Green Improvements Verification Certification, which is an Exhibit to the Loan Agreement, which must be submitted to Freddie Mac via the Property Reporting System (PRS). The Servicer must collect the Green Improvements Verification Certification within 30 days of completion of the Green Improvements. The Verification Certification must provide the following:
 - The date of completion of the Green Improvements
 - The specifications of the completed Green Improvements
 - Confirmation that the Benchmarking Data Consultant uploaded current energy and water usage (Benchmarking Data) into ENERGY STAR® Portfolio Manager®, or if Portfolio Manager, is no longer available, into another benchmarking tool identified by Freddie Mac
 - If Freddie Mac no longer owns the Mortgage, the Servicer must submit the Green Improvements Verification Certification to Freddie Mac via DMS

Unless otherwise specified by Freddie Mac, the Servicer is responsible for documenting that all repairs are completed satisfactorily, including exercising the right of the lender under the Repair Agreement to hire an engineer to certify that the repairs have been completed in a good and workmanlike manner.

The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:

- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of repair to major building systems (for example, electrical, mechanical, fire protection, etc.)



The engineer must meet or exceed the qualification requirements in Section 62.8 or Section 62SBL.17, as applicable. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:

- A list of the items that have been completed,
- Color photographs documenting the completed repairs,
- The final completion date, and
- The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner.

If the Servicer receives an Energy Certification from the Borrower for Green Improvements made at the Property, the Servicer must notify Freddie Mac of receipt of certification. If Freddie Mac no longer owns the Mortgage, the Servicer must submit the certification to green_advantage_reporting@freddiemac.com.

If requested by Freddie Mac for Green Improvement purposes, the Servicer must deliver to Freddie Mac any utility bills, reports or documentation supporting the usage of energy and water at the Property and if available, any calculations of any Borrower savings resulting from the Green Improvements. If Freddie Mac no longer owns the Mortgage, the Servicer must submit this information to green_advantage_reporting@freddiemac.com.

b. Incomplete repairs, partially completed repairs and extension requests (04/18/24)

If it becomes apparent to the Servicer that all required repairs will not be completed by the applicable completion date, the Servicer must work with the Borrower to determine whether an extension is appropriate, and to document that extension as required in this section.

1. Submitting documentation for incomplete or partially completed repairs

At least 10 days prior to the applicable completion date, the Servicer must notify Freddie Mac of partial completion of repairs on the Borrower Certification – Partial Completion of Repairs form, available at mf.freddiemac.com, which must be submitted to PRS. In addition, the Servicer must submit an extension request for incomplete repairs as described in Section 39.4(b)(3) or (4), as applicable. The Servicer must add an update comment to PRS that an extension request will be submitted.

If the Servicer determines that repairs will not be completed by the applicable completion date and that an extension is not appropriate, then at least 10 days prior to the completion date the Servicer must provide Freddie Mac with a detailed update in PRS of the

- Status of the repairs,



- Prospects for ultimate completion of those repairs,
- Borrower's reasons for not completing the repairs in a timely manner, and
- Servicer's recommendation for resolving the matter.

2. Extension requests that the Servicer is permitted to approve

- a. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an extension of the completion date of a Repair Agreement unless one of the following applies:
 - The Mortgage was originated on a Note labeled “CME”
 - The Mortgage was originated on a Note with a revision date on or after March 1, 2014
 - The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
 - The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization
- b. For an eligible Mortgage, the Servicer may approve an extension only if all of the following conditions are met:
 - The required repairs pose no life, health or safety issues
 - The remaining repairs represent no more than the lesser of \$500,000 or five percent of the UPB
 - The Borrower is making progress on required repairs, as evidenced by a recent inspection or current, dated photos and paid invoices provided by the Borrower
 - There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact
 - The Property condition was average or better as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting
 - The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension
 - The Servicer has not previously authorized an extension of the completion date
 - The Mortgage:
 - Has a Risk Rating of six or less,



- Has a UPB of less than \$30 million,
 - Is not in default,
 - Was not originated under the Acquisition Rehabilitation product, the Acquisition Upgrade product, the Moderate Rehabilitation product, or the REO purchase and stabilization product, and
 - Has no additional investors who have provided credit enhancements other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower
- A supervisor or higher-level manager on the Servicer's staff approved the extension of the completion date using the Repair/Rehab Agreement Extension/Modification Request available at <https://mf.freddie.mac.com/lenders/guide/> under Forms for Asset Management
- c. Notwithstanding the requirements of 39.4(b)(2)(A) and (B), if the Mortgage was originated as part of the SBL program, the Servicer may approve an extension only if all of the following conditions are met:
- The outstanding required repairs pose no life, health or safety issues
 - The Mortgage is not otherwise in default
- d. For a non-SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(A) and (B) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement by up to the same amount of time initially granted in the Repair Agreement, but not more than a date that is 12 months after the Origination Date of the non-SBL Mortgage. (For example, if the original completion date was 90 days following the Origination Date of the Mortgage, the Servicer may extend the completion date by no more than 90 days.)

For an SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(C) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement up to a date that is 12 months after the Origination Date of the SBL Mortgage.

- e. For all Mortgages, the Servicer must notify Freddie Mac of any actions taken under this delegated approval within two days after the effective date of the approval by electronically submitting to Freddie Mac via DMS
- The Repair/Rehab Agreement Extension/Modification Request, available at <https://mf.freddie.mac.com/lenders/guide/> under Forms for Asset Management
 - A copy of the approval letter that the Servicer provided to the Borrower
 - Copies of any modified loan documents

3. Submitting extension requests requiring Freddie Mac approval



Freddie Mac approval is required for all modifications and extensions of the Repair Agreement with respect to any Mortgage not described in Section 39.4(b)(2)(A) and (C).

If a Borrower requests an extension or modification of a Repair Agreement, the Servicer must, within five Business Days of receiving such request, take the following actions:

1. Enter the extension request into Consent Request Tracker (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 Repair/Rehab Agreement Extension/Modification Request form, including any necessary supporting documentation via CRT or DMS.

The Servicer must charge the Borrower a nonrefundable extension/modification review fee as set forth in Exhibit 10. If a fee is applicable, the Servicer must remit to Freddie Mac 50 percent of the fee and may retain the remaining 50 percent.

4. Documentation of approved extensions

Within the time specified in Freddie Mac's approval of a modification or extension of a Repair Agreement, the Servicer must deliver any required documents and fees to Freddie Mac in accordance with the delivery requirements of the approval letter.

5. Managing outstanding Repair items

The Servicer must manage notifications to the Borrower until the Servicer receives acceptable proof of completion for all items identified in the Repair Agreement. For Repairs not completed as or when required, Freddie Mac requires the Servicer to take the following actions:

- a. Within 30 calendar days following the repair due date, send a "reservation of rights" letter to the Borrower in conjunction with enforcing the Loan Documents. The Servicer must use either the Notice of Default and Reservation of Rights (Conventional) or the Notice of Default and Reservation of Rights (SBL) form, as applicable, and must work closely with Freddie Mac in handling such matters.

Within five business days of sending the "reservation of rights" letter to the Borrower, the Servicer must provide Freddie Mac a copy of the letter via email at MF_Surveillance@freddiemac.com. If collection of Reserve deposits for Replacement Reserves was deferred at the time of such Repair item noncompliance, the Servicer must begin collection of the Reserve deposits for Replacement Reserves. Collection of Reserve deposits for Replacement Reserves must commence not later than the second payment installment date immediately following the Repair item completion due date. The Servicer may include notice of the collection of Reserve deposits for Replacement Reserves in the "reservation of rights" letter to the Borrower or in a separate Borrower communication.

c. Disbursement from Repair Reserve (~~10/31/12~~06/13/24)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or

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supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Repair Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the Repair Agreement conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of ~~lien waivers~~, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid, and if required by Seller/Servicer, valid lien waivers."
- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full.

d. Requiring a Borrower to fund an unfunded Repair Reserve upon default (06/25/20)

Even if a Repair Agreement did not require immediate funding of a Repair Reserve, the Repair Agreement may require the Borrower to fund the Repair Reserve upon the occurrence of an event of default under the Loan Documents. The Servicer must consult with Freddie Mac *Multifamily Asset Management, Asset Resolution* upon the occurrence of an event of default by the Borrower, and must require the Borrower to establish the Repair Reserve within the time and in the amount specified by Freddie Mac. Within 10 days following funding of the Repair Reserve, the Servicer must deliver to Freddie Mac, at the address found on the form, the original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Repair Reserve Custodial Account:

- If the Custodial Account for the Repair Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer's Reserve Custodial Account
- If the Custodial Account for the Repair Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account

e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Repair Agreement or Repair Reserve without Freddie Mac's prior written consent:

- Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Repair Reserve
- Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Repair Reserve Agreement
- Make disbursements from the Repair Reserve to any party other than the Borrower, except as permitted by Section 39.4(c)



- Require the Borrower to deposit funds into the Repair Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- Exercise the right of the lender under the Repair Reserve Agreement to perform any capital replacement
- Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any repair
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Repair Reserve upon the Borrower's default
- Approve any modifications to the Repair Agreement except as permitted by Section 39.4(b)(2)

39.5 Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 (02/22/24)

This Section 39.5 applies to all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015.

a. Monitoring and completion of Priority Repairs (02/22/24)

In conjunction with the first annual property inspection and all subsequent property inspections, the Servicer must determine whether the Borrower has completed the Priority Repairs (including PR-90 Repairs) listed on Form 1104, SBL Physical Risk Report.

Freddie Mac will create a single Loan Item Tracking (LIT) entry in PRS that captures all of the Priority Repairs (to include PR-90 Repairs) identified on Form 1104, SBL Physical Risk Report. Within 30 calendar days of deeming any Priority Repair item to be complete, the Servicer must update the PRS LIT accordingly.

If the Servicer determines that any Priority Repair (including PR-90 Repairs) has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repair and refer the Borrower to its obligation under the Loan Agreement to complete the identified Priority Repair. If the Borrower does not respond within 30 calendar days following such Servicer notification or if the Borrower timely responds but does not provide a satisfactory Priority Repair action plan, Freddie Mac requires the Servicer to issue a "reservation of rights" letter as soon as possible, and no later than 10 business days following such Borrower inaction. The Servicer must use the Notice of Default and Reservation of Rights (SBL) form.

The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection, unless the incomplete repairs include Life Safety Hazards. If any remaining Priority Repair is a Life Safety Hazard, the Servicer must work closely with the Borrower until the Life Safety Hazard is remediated or resolved.

The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:



- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of a repair to a major building system (for example, electrical, mechanical, fire protection, etc.)

The engineer must meet or exceed the qualification requirements in Section 62SBL.17. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third-party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:

- A list of the items that have been completed,
- Color photographs documenting the completed repairs,
- The final completion date, and
- The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner

b. Reserved (10/14/16)

c. Disbursement from Replacement Reserve Fund for Priority Repairs (10/14/16)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Replacement Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of lien waivers, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid."
- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full.

d. Reserved (10/14/16)



e. Prohibited actions by the Servicer (10/14/16)

The Servicer may not take any of the following actions with respect to the Replacement Reserve Fund without Freddie Mac's prior written consent:

- Charge a fee for establishing the Replacement Reserve Fund
- Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Loan Agreement
- Make disbursements from the Replacement Reserve Fund to any party other than the Borrower, except as permitted by Section 39.5(c)
- Require the Borrower to deposit funds into the Replacement Reserve Fund in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- Exercise the right of the lender under the Loan Agreement to perform any capital replacement
- Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any Capital Replacement or repair
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve Fund upon the Borrower's default

39.6 Replacement Reserve Servicing (04/30/1906/13/24)

For the purposes of this chapter, the term "Replacement Reserve Agreement" means any Replacement Reserve Agreement, Replacement Reserve Rider to Loan Agreement, or other Loan Document establishing a Replacement Reserve, including the Loan Agreement.

a. Funded Replacement Reserves (~~12/10/13~~06/13/24)

The Servicer is responsible for authorizing releases from the Replacement Reserve and for obtaining from the Borrower copies of canceled checks ~~or bills that are certified,~~ receipts or invoices that are in the amount of the disbursement request and that are marked "paid" and if required by Seller/Servicer, valid lien waivers. The Seller/Servicer must also document that all capital replacements are completed satisfactorily, including exercising the right of the lender under the Replacement Reserve Agreement to hire an engineer to certify that the capital replacements have been completed in a good and workmanlike manner.

b. Disbursements for additional capital replacement items (07/01/14)

1. Mortgages for which the Servicer is permitted to approve additional disbursements

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve a disbursement for certain capital replacement items not specifically listed in the



Replacement Reserve Agreement unless one of the following applies:

- The Mortgage was originated on a Note labeled “CME”
- The Mortgage was originated on a Note with a revision date on or after March 1, 2014
- The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

2. Types of additional disbursements the Servicer may approve

Subject to the limitations in this Section 39.6(b), the Servicer may authorize a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement. The only permissible additional items are as follows:

- a. A capital replacement item which was identified and made part of the projected expenditures in the property condition report
- b. A capital replacement item that the Servicer reasonably determines is critical to the continued operation of the Property (“critical replacement”), if each of the following conditions is satisfied:
 - i. The Servicer has determined that the Property’s cash flow is insufficient to cover the cost of the critical replacement, and has taken one of the following actions:
 - Confirmed that Replacement Reserve balances and projections are reasonably adequate to cover future disbursements for capital replacements listed in the Replacement Reserve Agreement, or
 - Required the Borrower to amend the Replacement Reserve Agreement to increase the amount of future monthly deposits to cover the original capital replacements as well as the critical replacement, if the Servicer has determined that the disbursement for the critical replacement will cause the amount of the Replacement Reserve to fall below an adequate level. The Servicer must prepare the applicable amendment and submit it to Freddie Mac for its review, approval and signature.
 - ii. The Servicer must retain supporting documentation and copies of its approvals in the Mortgage File for all disbursements made pursuant to Section 39.6(b)(2).
- c. The Servicer may only authorize a disbursement for a critical replacement described in Section 39.6(b)(2) when all of the following additional conditions are met:
 - The Property secures a Mortgage that has a Risk Rating of six or less and is not in default.



- The disbursement is for capital replacement items that are upgrades which add value to and prevent an adverse condition at the Property.
- A supervisor or higher-level manager on the Servicer's staff has approved the disbursement for the additional capital replacement items.
- No credit enhancement has been provided by any person or entity that is not a party to the Mortgage.

If any one or more of the conditions described in this Section 39.6(b)(1) or (2) is not met, the Servicer must seek Freddie Mac's approval, as described in Section 39.6(b)(2)(d) below.

- d. Freddie Mac approval is required for any Replacement Reserve disbursement request for any capital replacement item that is not specifically listed in the Replacement Reserve Agreement nor permitted under Section 39.6(b)(1) or (2) (a) – (c). For all such disbursement requests, the Servicer must electronically deliver to Freddie Mac a written request for such modification using the General Servicing Request, available via mf.freddiemac.com, attaching any necessary supporting documentation.

c. Requiring a Borrower to fund an unfunded Replacement Reserve (05/01/14)

If the Replacement Reserve Agreement did not require immediate monthly funding of the Replacement Reserve, the Agreement may nonetheless require the Borrower to begin to make deposits to the Replacement Reserve upon the occurrence of certain conditions specified in the agreement. The Servicer must consult with Freddie Mac upon the occurrence of any of the specified conditions and must require the Borrower to commence funding of the Replacement Reserve when specified by Freddie Mac. Within 10 days following funding of the Replacement Reserve, the Servicer must deliver to Freddie Mac an original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Replacement Reserve Custodial Account:

- If the Custodial Account for the Replacement Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer's Reserve Custodial Account
- If the Custodial Account for the Replacement Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account

d. Unfunded Replacement Reserves with required capital expenditures (04/30/19)

If the Borrower is required to spend a minimum or specified amount on capital expenditures annually, or an average amount per year over a specified period of time, and a Replacement Reserve Custodial Account is not in place, the Servicer must monitor compliance with the expenditure requirements in accordance with the Replacement Reserve Agreement and may accept either of the following items as evidence of compliance:

- An operating statement for the reporting period, certified by the Borrower, that includes sufficient details to confirm the capital expenditures were made, or



- An itemized list, certified by the Borrower, of capital expenditures for the reporting period identifying the item, cost for the item, and total paid for capital expenditures for the period.

The Servicer must monitor the capital expenditures in accordance with the Replacement Reserve Agreement. If the Servicer determines the Borrower is not in compliance with the capital expenditure requirements, the Servicer must work with the Borrower to resolve the noncompliance. The Servicer must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any of the following conditions is present:

- The Property secures a Mortgage that has a Risk Rating greater than six or is in default
- The Property condition had a rating of
 - Less than Average on the Freddie Mac rating scale, if the last inspection took place before 2012, or
 - Four or five if the last inspection took place in 2012 or later
- There are significant outstanding Deferred Maintenance issues, or the Borrower is out of compliance in an amount that exceeds 20% of the required expenditures
- There are additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower, or Affiliates of the Borrower)
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt (or taxable) Multifamily bond securitization

e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Replacement Reserve without Freddie Mac's prior written consent:

1. Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Replacement Reserve
2. Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Replacement Reserve Agreement
3. Make disbursements from the Replacement Reserve to any party other than the Borrower
4. Require the Borrower to deposit funds into the Replacement Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application, except as authorized under Section 39.6(b)
5. Exercise the right of the lender under the Replacement Reserve Agreement to perform any capital replacement



6. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any capital replacement
7. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve upon the Borrower's default

f. Mortgages with terms longer than 10 years (12/12/14)

For a Mortgage with a loan term longer than 10 years, the Replacement Reserve requirements in the Loan Documents may provide that the lender may adjust the Replacement Reserve amount following receipt of an updated property condition report. If the Loan Documents provide for such an adjustment, then on the 10th anniversary of the Origination Date of the Mortgage, the Servicer must conduct a re-evaluation of the adequacy of the Replacement Reserve.

If the Loan Documents permit the lender to adjust the Replacement Reserve amount, then the Servicer must take one of the following actions:

- If the Loan Documents provide that the lender may obtain a property condition report and either charge the cost to the Borrower or deduct the cost from the Replacement Reserve Fund, then the Servicer must obtain an updated property condition report conducted in accordance with the requirements of Chapter 62.
- If the Loan Documents do not contain a provision authorizing the lender to obtain a property condition report at the Borrower's expense, then the Servicer must conduct a property inspection in accordance with the requirements of Chapter 40 for annual inspections; however, third-party fee inspectors are not permitted.

Within 15 days following receipt of the updated property condition report or property inspection, as applicable, the Servicer must electronically submit a recommendation on the General Servicing Request to Freddie Mac regarding the need for adjustments to the Replacement Reserve amount.

Unless the Loan Documents provide otherwise, the Servicer must deduct from the Replacement Reserve Fund an amount sufficient to pay all reasonable fees and expenses charged by the property condition consultant or Servicer.

39.7 Rental achievement Reserve Servicing (09/18/14)

For the purposes of this section, any Property performance achievement agreement, such as a rental achievement guaranty, a Rental Achievement Escrow Agreement – Cash or Rental Achievement Agreement – Letter of Credit, or Rental Achievement Rider to Loan Agreement which a Borrower or Guarantor has executed with respect to a Mortgage, will be referred to as a “rental achievement agreement”.

If a rental achievement agreement exists with respect to the Property, the Servicer must require the Borrower to establish any required Reserve or post any required letter of credit within the time and in the amount specified by Freddie Mac. A rental achievement guaranty executed in connection with the Mortgage may include rental achievement provisions tied to a reduction in the



amount of the base guaranty or other provisions. See Section 11.2 for the Seller/Servicer's obligations with respect to the approval and monitoring of Letters of Credit.

a. Monitoring of Property performance; requests for release or reduction of Reserve funds (09/18/14)

The Servicer must monitor the performance of the Property under the terms of the rental achievement agreement. If the Borrower or Guarantor submits a request for release of the Reserve or letter of credit, or a reduction in the base guaranty, the Servicer must:

- Collect all data required to analyze the request under the terms of the applicable document
- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request, available via mf.freddiemac.com, and attaching any necessary supporting documentation

If the rental achievement agreement includes an earn-out expiration date, the Servicer must monitor the earn-out expiration date, and must contact Freddie Mac, via email at least 30 days prior to the earn-out expiration date, providing the Servicer's discussion of the Property's performance in relation to the performance standard. In the email, the Servicer must advise Freddie Mac whether:

- The Servicer expects the Property to meet the performance standard prior to the earn-out expiration date,
- The Borrower or Guarantor is likely to request an extension of the earn-out expiration date, and
- The Servicer recommends any action by Freddie Mac.

b. Extension of earn-out expiration date (09/18/14)

If the Borrower or Guarantor requests an extension of the earn-out expiration date, the Servicer must advise the Borrower or Guarantor in writing that Freddie Mac is under no obligation to consider or agree to such a request. If Freddie Mac does agree to an extension, it may charge a fee as set forth in Exhibit 10.

The Servicer must submit any request for an extension of the earn-out expiration date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested



- An explanation from the Borrower or Guarantor of the reasons that the Property will not meet the performance standard by the earn-out expiration date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)

If Freddie Mac approves the addition, release or reduction of the Reserve or letter of credit, or a substitution of collateral, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, reduction or substitution. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, reduction or substitution.

d. Failure of Property to meet performance standard; application of collateral (10/31/12)

If the earn-out expiration date passes and the Borrower or Guarantor, as applicable, has not demonstrated that the Property has met the performance standard specified in the rental achievement agreement, then

- Freddie Mac may elect to apply the Reserve or the proceeds of the letter of credit to reduce the outstanding principal balance due under the Note, or to make a claim against the Guarantor, as applicable. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take any action described above, the Servicer must maintain the Reserve or letter of credit, as applicable, and any guaranty will remain in place.

e. Prohibited actions by the Servicer (10/31/12)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Rental Achievement Reserve or letter of credit
- Extend any earn-out expiration date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve or letter of credit proceeds
- Otherwise amend the terms of the applicable agreement

39.8 Special Purpose Reserve Servicing (10/14/16)

If the Loan Agreement for a Mortgage requires a Special Purpose Reserve, the Servicer must require the Borrower to establish the Reserve within the time and in the amount specified by Freddie Mac.



a. Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)

The Servicer must monitor the performance of the Property under the terms of the Loan Agreement relative to the Special Purpose Reserve. If the Borrower submits a request for release of the Reserve, the Servicer must

- Collect all data required to analyze the request under the terms of the Loan Agreement
- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request, available via mf.freddiemac.com, and attaching any necessary supporting documentation

b. Extension of termination date (10/14/16)

If the Borrower requests an extension of the termination date for the Special Purpose Reserve, the Servicer must advise the Borrower in writing that Freddie Mac is under no obligation to consider or agree to such a request.

The Servicer must submit any request for an extension of the termination date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower of the reasons that the Property will not meet the performance standard by the termination date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/14/16)

If Freddie Mac approves the addition, release or reduction of the Reserve, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, or reduction. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, or reduction.

d. Failure of Property to meet performance standard; application of collateral (10/14/16)

If the termination date passes and the Borrower has not demonstrated that the Property has met the performance standard specified in the Loan Agreement for the release of the Special Purpose Reserve, then

- Unless prohibited by the Loan Agreement, Freddie Mac may elect to apply the Reserve to reduce the outstanding principal balance due under the Note. If Freddie Mac determines



to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.

- Unless and until Freddie Mac elects to take the action described above, the Servicer must maintain the Reserve.

e. Prohibited actions by the Servicer (10/14/16)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Special Purpose Reserve
- Extend any termination date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve
- Otherwise amend the terms of the applicable agreement

39.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (12/15/22)

Capitalized terms used but not defined in this section have the meanings given to them in Section 17.4(a).

During the Interim Phase of a Mod Rehab Mortgage the Servicer disburses funds periodically at the request of the Borrower to reimburse renovation expenses; this disbursement is subject to holdbacks as identified in the Disbursement Agreement. The Servicer must disburse draws only upon receipt of documentation sufficient to indicate that the renovation work has been properly completed. A general overview of the draw process is as follows:

- To initiate the disbursement of funds, the Borrower submits a Disbursement Request to the Servicer.
- The Servicer requests that the Architectural Consultant inspect the Property.
- Based on the Architectural Consultant's inspection, the Servicer's review of the Borrower's Disbursement Request, and confirmation that the Mortgage meets the performance metrics as identified in the Disbursement Agreement, the Servicer sends a Disbursement Certification to Freddie Mac.
- Upon receipt of the funds from Freddie Mac, the Servicer forwards the funds to the Borrower.
- The Servicer submits the completed draw package described below to Freddie Mac within five Business Days after the Servicer submits the Disbursement Certification.

The Servicer may not submit a subsequent Disbursement Certificate or draw package to Freddie Mac unless Freddie Mac has approved the previous draw package.

The Borrower's responsibilities are found in the Disbursement Agreement and the Servicer's responsibilities are found in the Disbursement Servicing Agreement, each of which is executed at loan origination.



a. Servicer responsibilities (12/15/22)

As more fully detailed in the Disbursement Servicing Agreement, the Servicer must:

- Evaluate each Disbursement Request from the Borrower (which consists of fully executed AIA Forms G702 and G703, or their equivalent) to confirm that work was adequately completed and properly represented by the request
- Review construction monitoring reports for accuracy, completeness and compliance with Section 63.4
- Review all change orders to ensure that revisions do not impact the scope or quality of renovations and to ensure that sufficient funds remain to complete the project
- Confirm that the Property has met any performance metric requirement set forth in the Disbursement Servicing Agreement, typically related to net rental income
- Submit a Disbursement Certification (the form of which is attached as an exhibit to the Disbursement Servicing Agreement) to mfla@FreddieMac.com and MF_PhysicalRisk@FreddieMac.com upon verification of the request
- Within five Business Days after submitting the Disbursement Certification, submit the completed draw package to MF_PhysicalRisk@FreddieMac.com . The draw package must include the following:
 - A cover letter that summarizes
 - Disbursement Request (including AIA Forms G702/G703 or their equivalent)
 - Budget status
 - Renovation progress
 - Construction monitoring report
 - Status of the performance metric(s)
 - Copy of the Disbursement Certification
 - Title update
 - Construction monitoring report meeting the requirements of Section 63.4
 - Current rent roll
- Promptly upon receipt of the disbursement funds from Freddie Mac, and no more than 10 Business Days after receipt of the Disbursement Request, make the requested disbursement to the Borrower



b. Draw calculation (05/05/17)

Projects are generally subject to a funding source split between Freddie Mac and Borrower equity. Additionally, the full portion of each draw funded by Freddie Mac is subject to a retainage. The amounts of the Freddie Mac/Borrower equity split, and retainage are detailed in the Disbursement Agreement. The amount shown in the Disbursement Certification must reflect the amount owed to the Borrower, net of the equity portion and the retainage.

Sample Draw Calculation

- The Borrower submits a Disbursement Request in the amount of \$1,300,000
- The Servicer confirms that the amount requested is appropriate and submits the Disbursement Certification to Freddie Mac. The amount submitted to Freddie Mac is the amount requested in the Disbursement Request less the Borrower's equity share of 20 percent and the retainage amount of five percent:
 - Borrower equity is subtracted first: \$1,300,000 less $(1,300,000 * 0.20) = 1,040,000$
 - Retainage of five percent is then subtracted: \$1,040,000 less $(1,040,000 * 0.05) = \$988,000$
- The Servicer's Disbursement Certification requests the net amount of \$988,000 for funding by Freddie Mac

c. Release of retainage and holdback amounts (05/05/17)

Upon substantial completion of the renovation project and Borrower submission to the Servicer of the documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the retainage amount, less a \$250,000 holdback.

Upon final completion of the renovation project, including completion of all remaining punch list items, and Borrower submission to the Servicer of final documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the final \$250,000 holdback balance.

39.10 Servicing a Mortgage with a Green Up® or a Green Up Plus® loan option (02/28/19)

Capitalized terms used but not defined in this section have the meanings given to them in the Glossary.

Green Improvements are treated as repairs. Funds earmarked for Green Improvements are included in the Repair Reserve, and the requirements of Sections 39.1 and 39.3 apply. The Servicer must monitor and report on Green Improvements in accordance with the requirements of Section 39.4.

a. Benchmarking Metrics (02/28/19)

As a requirement for a Green Up® or Green Up Plus® loan option, the Benchmarking Data Consultant must collect, input and monitor the energy and water usage for the Property in Portfolio Manager®, the online tool located on the ENERGY STAR® website of the EPA, to provide Benchmarking Metrics to Freddie Mac.

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The Borrower, through the Benchmarking Data Consultant, will be required under the Loan Documents to provide Benchmarking Metrics generated through Portfolio Manager for the Property. The Benchmarking Metrics include:

- ENERGY STAR® Score
- Energy Use Intensity
- EPA 1-100 Water Score
- Water Use Intensity

Freddie Mac will monitor submission of the Benchmarking Metrics through Portfolio Manager and will notify the Servicer of any metrics not received by the date specified in the Loan Agreement. The Servicer must then contact the Borrower and request that the Borrower, through the Benchmarking Data Consultant submit the required Benchmarking Metrics.

The benchmarking process is as follows:

- The Borrower sets up an account in Portfolio Manager
- The Servicer assists the Borrower in gaining access to the information to be inputted for the Property by the Green Consultant in Portfolio Manager
- The Benchmarking Data Consultant inputs on-going Property consumption data into Portfolio Manager
- The Borrower, through the Benchmarking Data Consultant, submits the annual Benchmarking Metrics to Freddie Mac via Portfolio Manager

The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer, with respect to the on-going benchmarking process, are found in the Green Improvements Rider attached to the Loan Agreement.

b. Borrower, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (02/28/19)

In accordance with Section 65.2, the Green Consultant must input historical Property energy and water consumption information into Portfolio Manager. To enable the Borrower to gain access to the Property information in ENERGY STAR® Portfolio Manager®, the Servicer must:

- Ensure the Borrower has a Portfolio Manager account
- Provide the Borrower's Portfolio Manager user name, email and the name of the Property to the Green Consultant

The Green Consultant must send a connection request to the Borrower through Portfolio Manager. Once the Borrower accepts the connection request, the Green Consultant will share the Property information with the Borrower.



The Borrower will be responsible for ensuring the Benchmarking Data Consultant has access to the Property information in Portfolio Manager to begin inputting energy and water consumption usage in accordance with the timeframes provided in the Loan Agreement.

Prior to the Origination Date, the Seller/Serviceicer must follow up with:

- The Borrower and the Green Consultant to ensure that the Borrower has access to the Property information which has been inputted by the Green Consultant in Portfolio Manager and
- The Borrower to confirm that the Benchmarking Data Consultant has been given access to the Property information in Portfolio Manager and is able to input energy and water consumption usage

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:50:34 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 39 - Admin of Reserves; Monitoring Repairs GB-04-18-24.docx	
Modified filename: 39 - Admin of Reserves; Monitoring Repairs GB-06-13-24.docx	
Changes:	
<u>Add</u>	15
Delete	13
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	28

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Chapter 40

Assessments and Other Post-purchase Reporting



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40.1 General information regarding assessments and other post-purchase reporting (10/19/23)

a. General information regarding assessments (10/19/23)

Freddie Mac requires the Servicer to perform periodic assessments of each Property to assist Freddie Mac in preventing Mortgage defaults and losses through the early detection and resolution of concerns about a Mortgage.

The Servicer must complete the assessment in a sufficiently detailed manner to provide a framework for Freddie Mac to monitor the performance of the Mortgage. The Servicer must complete all sections of each assessment using the best information available. If the Servicer is unable to accurately complete any section or obtain any required document, the Servicer must provide a satisfactory explanation for the incomplete section or missing document with the assessment submission.

To accomplish competently the objectives of each assessment, the Servicer must employ experienced and trained personnel. Minimum training and experience requirements for all inspectors are set forth in Section 40.13. Section 40.14 sets forth training and experience requirements for the employees and contractors of a fee inspector company (FIC). The Servicer is responsible for the completed assessment submission regardless of who performed the inspection and will be held responsible for material mistakes, misrepresentations or omissions in the assessment submission as outlined in Section 40.10.

b. Additional Seller/Servicer post-purchase reporting for Mortgages purchased for Securitization (03/03/17)

For Mortgages purchased for Securitization, the Seller/Servicer must provide additional reporting prior to Securitization. These requirements are outlined in Section 40.15.

c. Additional reporting requirements for Special Product Type Mortgages including SBL Mortgages (03/03/17)

Special Product Type Mortgages, including SBL Mortgages, have additional or different reporting requirements, as outlined in Section 40.16. Except as provided in Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

40.2 Types of assessments and timing of assessments (10/19/23)

a. Types of assessments (10/19/23)

During any period in which Freddie Mac holds a Mortgage, Freddie Mac requires the following:

1. The Annual Financial is a year-end operating statement analysis in which the Servicer reviews the Property's financial condition for the most recent calendar year to identify any risks associated with the Property's financial performance. The Annual Financial includes an analysis of the Property's financial condition, the historical performance of the Mortgage and other pertinent data related to the Mortgage. Section 40.2(b) describes the use and timing of the Annual Financial submissions:



- A-CREFC-MF prepared for multifamily loans in accordance with the Commercial Real Estate Financial Council Investor Reporting Package (CREFC IRP)
- A-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

Annual Financial interest rate cap/derivative income and expense reporting for

Floating-Rate Mortgages: Notwithstanding anything to the contrary contained in the CREFC IRP, any payments (income) received pursuant to interest rate caps or other derivatives must be excluded from “other income.” Any expenses related to replacement interest rate caps or other derivatives must be excluded from “other expenses.” Accordingly, the reported debt service must reflect the sum of uncapped interest, principal and replacement rate cap escrow amounts less any income received from interest rate caps or other derivatives.

2. The Quarterly Financial is a quarterly submission in which the Servicer reviews the Property’s financial condition for the most recent quarter to identify any risks associated with the Property’s financial performance. Section 40.2(b) describes the use and the timing of the Q-CREFC submissions; Section 40.16 provides additional Quarterly Financial instructions for Special Project Type Mortgages.
 - Q-CREFC-MF prepared for multifamily loans in accordance with the CREFC IRP
 - Q-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

Quarterly Financial interest rate cap/derivative income and expense reporting for

Floating-Rate Mortgages: Same as Annual Financial reporting. See final paragraph of Section 40.2(a)(1) above.

3. A Mid-Year Rent Schedule is required for any SBL Mortgage originated on a Loan Agreement with a revision date on or after 11/08/2016. For the purposes of this Chapter 40, the Mid-Year Rent Schedule consists of a rent roll dated within five calendar days of the end of the second calendar quarter (or the end of the second quarter of the Borrower’s fiscal year if the Borrower has adopted fiscal year financial reporting).

The Servicer must submit the Mid-Year Rent Schedule and the following three data elements via the Property Reporting System (PRS) by August 31 of each year:

- The effective date of the rent schedule date
 - The physical occupancy percentage
 - The total actual rent for each loan in PRS (total actual rent received for occupied units; no income should be counted for vacant units).
4. The Loan Management Form (LMF) is an analysis of the Borrower’s compliance with the Loan Documents intended to highlight any potential problems associated with the Borrower or the loan.

Beginning with 2024 submissions, Freddie Mac will automatically add LMFs for every portfolio loan in PRS with a due date of 12/31 of that year. If at any time during the year the



Servicer is made aware of any condition that merits reporting per Section 40.6(a), the Servicer must complete the LMF assessment and submit it via PRS. If there is a subsequent event that requires notification per Section 40.6(a), the Servicer must provide notification of the subsequent event by sending an email to MF_Surveillance@freddiemac.com. Each December, the Servicer must evaluate all loans that have an LMF with a “Due” status and submit the remaining LMFs for their portfolio(s). The Servicer may use the bulk LMF assessment submission for multiple submissions.

5. For purposes of this chapter only, rent roll shall mean a document certified by the Borrower that contains the following key data points:
 - a. Tenant name
 - b. Unit number or some other physical identification point
 - c. Contract rent
 - d. Lease start date
 - e. Lease end date
 - f. Commercial units, where applicable
 - g. Market rent (required for vacant units, as available for occupied units)
 - h. Subsidy amount (if any), as available
 - i. Past due balance (if any), as available
 - j. Additional fees or charges (i.e., pet, utilities, etc.), as available
 - k. Unit type, name or description, as available
 - l. Unit size, as available
6. The property inspection report is prepared after the physical inspection of the Property and documents the condition of the Property. When used in this chapter, the term “property inspection report” refers to either:
 - The Annual Inspection Form (AIF), which applies during any period in which Freddie Mac holds the Mortgage, or
 - The MBA Property Inspection Form, for securitized loans.

The AIF uses the same format as the MBA Property Inspection Form, but the Servicer must submit it to Freddie Mac via the Property Reporting System (PRS).

For all types of assessments, the Servicer must use the appropriate version of the form to complete the assessment. In completing the assessment, the Servicer must provide information addressing all of the issues set forth in this chapter. For any assessment issue that does not have a corresponding field in the applicable form, the Servicer must provide a response in the comments section of the form. All assessments must be submitted to Freddie Mac via the Property Reporting System (PRS). If a Servicer discovers that an assessment has not been submitted as required by the chart below, the Servicer must contact Freddie Mac at MF_Asset_Perf@freddiemac.com with details about the loan and assessment.

b. Conditions requiring an assessment and timing of assessments (10/19/23)

Beginning with the Quarterly Financial Submissions for second quarter 2017, the QIE assessment format will no longer be in use. The Q-CREFC-MF or Q-CREFC-HC, as applicable, will be required.



Beginning with the 2018 Annual Financial Submissions, the AIE assessment format will no longer be used. The A-CREFC-MF or A-CREFC-HC, as applicable, will be required.

Assessment Type	Conditions requiring an assessment	Timing of the Assessment
A-CREFC-MF or A-CREFC-HC, as applicable	A Mortgage with a UPB > \$250,000	<ul style="list-style-type: none"> March 31 – a Mortgage with a Risk Rating > 6, or a Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages May 31 – all other Mortgages, including SBL Mortgages
Q-CREFC-MF or Q-CREFC-HC, as applicable, Non-SBL Mortgages	<ul style="list-style-type: none"> A Mortgage with a UPB > \$250,000 A Mortgage with an Origination Date on or after 01/01/2003 	<ul style="list-style-type: none"> May 31 (first quarter) – <ul style="list-style-type: none"> A Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages A Mortgage with a Risk Rating > 6 August 31 (second quarter) November 30 (third quarter)
Q-CREFC-MF or Q-CREFC-HC, as applicable, SBL Mortgages	A Mortgage with a Risk Rating > 6 as of the applicable quarter-end	<ul style="list-style-type: none"> May 31 (first quarter) August 31 (second quarter) November 30 (third quarter)
Mid-Year Rent Schedule – SBL Mortgages	An SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016	<p>Within five calendar days of the end of the Borrower’s second calendar quarter (or the end of the second quarter of the Borrower’s fiscal year), Unless otherwise notified by Freddie Mac, August 31.</p> <p>See Section 40.2(a)(3).</p>



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
LMF Applicable during any period in which Freddie Mac holds the Mortgage	<ul style="list-style-type: none"> • A Mortgage with a UPB > \$1 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan, or • A Mortgage where the Servicer has specific concerns regarding the Borrower’s compliance with the original Loan Documents 	<ul style="list-style-type: none"> • See Section 40.6(c).
Property inspection report – Non-SBL Mortgages	A Mortgage with a UPB ≤ \$2 million	<p>The calendar quarter end of the biennial anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
	<ul style="list-style-type: none"> • A Mortgage with a UPB > \$2 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan 	<p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 <p>For a Mortgage with a Transfer of Ownership or subordinate financing, a property inspection report is due at the time of the transfer or subordinate financing.</p> <p>For a Mortgage with a tax lien, a property inspection report is due when the tax lien is filed.</p>
Property inspection report – Mod Rehab Mortgages	Mod Rehab Mortgage	<p>The calendar quarter end of the anniversary of the date of the post-construction analysis report. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
Property inspection report – SBL Mortgages	A Mortgage with a Risk Rating ≤ 6	<p>First report will be due the calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 <p>Thereafter, report will be due the calendar quarter end on the biennial anniversary of the Origination Date, unless otherwise notified by Freddie Mac</p>
	A Mortgage with a Risk Rating > 6	<p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31

Notes to above table:

- Subject to Section 40.12, Freddie Mac will not require a Servicer to prepare a Quarterly Financial for a Mortgage secured by a Property owned by a Cooperative.
- When submitting assessments for a Property owned by a Cooperative using the A-CREFC assessment format, the Servicer must complete the Excel[®] Co-op Assessment Supplemental Form and submit it via PRS. The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.
- When submitting assessments for a Property securing a Bond Credit Enhancement Mortgage using the A-CREFC assessment format, the Servicer must complete the Excel[®] Bond ADS Supplemental Form and submit it via PRS (the Bond ADS Supplemental Form is not required for quarterly submissions). The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.



Due dates for the submission of any assessment type may be otherwise specified in the Letter of Commitment, any Servicing Agreement, or by other written communication from Freddie Mac.

For any assessment submitted via PRS in connection with a securitized Mortgage for which Freddie Mac is the master servicer, the due date will be the earlier of the date specified in the applicable sub-servicing agreement or the date set forth in the above table.

For Mortgages with a Transfer of Ownership, subordinate financing, or a tax lien filing, an LMF and a property inspection report are not required if the Servicer has submitted an LMF and a property inspection report within the previous 180 days and the Servicer does not know of any material changes with respect to the condition of the Property or the Borrower's compliance with the Loan Documents.

c. Requesting an adjustment of the Annual Financial due date (04/30/19)

The Servicer may contact Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via PRS to request an adjustment of the Annual Financial due date if:

- The Borrower's fiscal year end would prevent the Servicer from submitting the Annual Financial by June 30 or other date required by Freddie Mac.
- The Mortgage was for the acquisition of the Property, and the purchase occurred so late in the preceding calendar year that the number of months of data available for review would prevent the Servicer from making a meaningful evaluation.

d. Reporting to senior Mortgage servicers (03/03/17)

If the Servicer is reporting Annual Financial or Quarterly Financial information to Freddie Mac with respect to a Supplemental Mortgage related to one or more securitized senior lien Mortgages, the Servicer is authorized to provide that same information to the Servicer(s) of the securitized senior Mortgage(s).

40.3 Completing and submitting the Annual Financial (04/27/18)

This Section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Annual Financial (03/03/17)

The Servicer must conduct a review of the Property's income and expense statement to determine the Property's financial condition for the most recent calendar year and identify any risks associated with the Property's financial performance.

The Property's income and expense statement must be for the immediate preceding fiscal year. If the Borrower cannot provide an income and expense statement with 12 months of data, the Servicer may accept a partial-year statement from the Borrower. For non-SBL Mortgages, the assessment may be waived if less than six months of data is available from the Borrower. For SBL Mortgages, the assessment may be waived if less than three months of data is available from the Borrower.

The rent roll must be no older than six months prior to the Annual Financial submission date.



b. Completing the Annual Financial (04/27/18)

Prior to submission of the Annual Financial, the Servicer must enter all Property income and expense items into the appropriate fields on the template. Generally the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement. For detailed instructions on completing the A-CREFC templates, see the PRS CREFC Individual Desk Reference, which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.

c. Submitting the Annual Financial (04/27/18)

The Servicer must submit all of the following components of the Annual Financial via PRS in order for Freddie Mac to deem the submission of the Annual Financial to be complete:

1. The completed A-CREFC template

The Servicer must provide additional reporting for Seniors Housing Mortgages, Bond Credit Enhancement Mortgages, Mortgages secured by Cooperative (Co-op) Properties and Properties currently deemed unstabilized by Freddie Mac in PRS along with the assessment. All of these additional reporting templates can be found at mf.freddiemac.com/lenders/asset.

2. Annual statement of income and expense for the Property for the most recent fiscal year, certified by the Borrower (the signature of the Borrower is sufficient)

3. Current rent roll, identifying commercial units where applicable, certified by the Borrower

For the purposes of the Annual Financial, a rent roll is considered to be current if it is dated no more than six months prior to the original due date. For example, if the Annual Financial due date is June 1, the rent roll is considered current if dated on or after December 1 of the prior year.

40.4 Completing and submitting the Quarterly Financial (04/27/18)

This Section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Quarterly Financial (03/03/17)

To complete a Quarterly Financial, the Servicer must conduct a review of the Property's financial condition for the most recent fiscal year to quarter end, as requested, and identify any risks associated with the Property's financial performance.

b. Completing the Quarterly Financial (04/27/18)

Generally, the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement when completing the applicable Q-CREFC template.

For detailed instructions on completing the Q-CREFC templates, see the PRS CREFC Individual Desk Reference, which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.



c. Submitting the Quarterly Financial (12/14/17)

The Servicer must submit the following components of the Quarterly Financial in order for Freddie Mac to deem the submission of the Quarterly Financial to be complete:

- The completed template
- For a Mortgage with a Freddie Mac Funding Date
 - Prior to March 1, 2014, a year-to-date or trailing 12-month, quarter-ending property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
 - On or after March 1, 2014, a trailing 12-month property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
- The current rent roll, identifying commercial units where applicable, certified by the Borrower (the signature of the Borrower is sufficient)

For the purposes of the Quarterly Financial, a rent roll is considered to be current if it is dated no more than two months prior to the original due date. For example, if the Quarterly Financial due date is August 31, the rent roll is considered current if dated on or after June 30.

The Servicer must submit the second and third quarter reporting through PRS. Additional quarterly reporting requirements for Special Product Type Mortgages are found in Section 40.16.

40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)

This Section applies to any SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016.

a. Source documents for the Mid-Year Rent Schedule (04/27/18)

The Servicer must receive and review a rent roll for the Property (statement of rents), identifying any commercial units (as applicable), to determine current physical occupancy.

b. Submitting the Mid-Year Rent Schedule (04/27/18)

The Servicer must submit the Mid-Year Rent Schedule dated within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's fiscal year) to PRS by August 31 annually. To deem the submission complete, the Servicer must also enter, via PRS, the following data elements:

- Effective date of the Rent Schedule
- Physical occupancy rate
- Total actual rent

40.6 Completing and submitting the Loan Management Form (LMF) (10/19/23)

This Section applies during any period in which Freddie Mac holds a Mortgage.



a. Evaluating the Mortgage and determining when an LMF is required (10/19/23)

To determine when submission of an LMF is necessary, the Servicer must evaluate the Borrower's compliance with Loan Documents, including whether any of the following conditions exist:

1. The Borrower or Property is in non-monetary default with respect to the Loan Documents.
2. There is unauthorized rehabilitation or construction underway at the Property.
3. The Borrower or Borrower Principal is the subject of a bankruptcy or insolvency proceeding.
4. There are problems or issues associated with any Reserve (e.g., *Reserve payments have not been made when due, Reserve is insufficient, etc.*).
5. The Servicer cannot certify that the UCC filings are current.

b. Completing and submitting the LMF (04/30/15)

To complete an LMF, the Servicer must enter the Borrower's compliance information into the appropriate fields on the LMF. For detailed instructions on completing the form, see the PRS Loan Management Form (LMF) Desk Reference, which can be found at mf.freddiemac.com, or other such documentation that Freddie Mac may provide.

The Servicer must upload the completed LMF to PRS in order for Freddie Mac to deem the submission of the LMF to be complete.

c. Timing of submission of the LMF (10/19/23)

Servicers must submit the LMF within 10 Business Days of determining that any of the conditions in Section 40.6(a) above have occurred regardless of the due date in PRS. If not submitted earlier in the year, the LMF must be submitted annually on or before December 31st via PRS. See also Section 40.2(b).

40.7 Conducting the inspection of the Property (~~04/18/24~~[06/13/24](#))

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement or Loan Agreement Rider relating to repairs or other agreement involving repairs or improvements to the Property will be referred to as a "Repair Agreement."

The Servicer must conduct a property inspection and complete and submit the applicable property inspection report.

The AIF uses the same format as the MBA Property Inspection Form.

The Servicer must perform a comprehensive property inspection, including

- An evaluation of property management, including specifics regarding the property manager's tenure at the Property, on-site staffing levels, and adequacy of management's response to any changing trends in market occupancy and rental rates



- The current condition of the Property and any trends, including the condition of the site features, building exteriors, interior common spaces, amenities, building systems, vacant and Down Units, and the number of rent-ready vacant units
- Providing specificity for any declining conditions around the property, such as excessive properties for sale in immediate areas, multiple dark buildings, or excessive vacancies. Also note, any specific ingress or egress issues at the Property and any changes to adjoining land uses or major thoroughfares impacting the Property
- Any early warning signs of risk, including evidence of any Life Safety Hazards, significant Deferred Maintenance, especially if related to moisture or Mold issues; environmental issues such as lead-based paint; incomplete Operational Repairs; Repair Agreement compliance; evidence of crime or vandalism; or failure to comply with local laws

The Servicer must request copies of any violations or other notices received regarding compliance with local laws. In addition, the Servicer must request information from the property manager regarding any property condition concerns to enable the Servicer to understand the cause of any problem and the Borrower's plans to remedy the situation.

a. Unit inspection requirements and minimum number of units to inspect (09/30/20)

The units inspected must be randomly selected by the inspector, not by the property manager or the Borrower. The units inspected must also include a cross-section of unit types and locations, including the following:

- Each of the major unit types
- Units on different floors, including top floor and below-grade units, or grade-level units if there are no units below grade
- For Properties with numerous buildings, units in a sampling of various buildings across the Property
- Representative sample of occupied and vacant units

Taking into account the cross-section of unit types and locations described above, the inspector must inspect at least the following number of units:

- Occupied and vacant units: 5 percent of total occupied and vacant units, with a minimum of five units and a maximum of 15 units
- Down Units: 100 percent (Note: If there is a significant number of Down Units due to large renovation project, inspector may choose to inspect a representative sampling of Down Units)
- Commercial space: 100 percent

The inspector must conduct additional occupied and vacant unit inspections, as needed, to determine whether any problems detected in units or specific buildings are restricted to the specific units/buildings or pervasive throughout the Property.



b. Requirements for photographs (10/14/16)

Photographs are essential to convey the condition of the Property. Freddie Mac's requirements for photographs are as follows:

1. The photographs must illustrate any emerging or existing risks, inform the viewer of the trend of the Property and show a representative sample of the Property materials and conditions.
2. The photographs must include views of
 - All Life Safety Hazards
 - Samples of each type of Deferred Maintenance, any Down Units and items requiring significant capital expenditure
 - Moisture/Mold issues or environmental concerns
 - Samples of interiors of typical unit types
 - Grounds (including parking lots, sidewalks, street views and signage)
 - Typical building exterior (including windows, balconies and exterior stairs)
 - Building systems (for example, boiler, roof and HVAC)
 - Amenities, interior common areas, clubhouse, maintenance shop and office, if applicable
 - Commercial space, if applicable
 - Significant repairs and capital improvements completed subsequent to the previous inspection (including, for SBL Mortgages, all Priority Repairs and PR-90 Repairs identified in the Form 1104, SBL Physical Risk Report)
3. Photographs must be compressed and added to the inspection submission. All photographs must include identifying captions.

c. Guidance for photographs (12/12/14)

Taking into account the above requirements, the size of the Property and the characteristics of the Property, the Servicer should submit 20 to 25 photographs with the inspection submission.

For Properties with fewer than 100 units, limited common areas and/or few amenities, fewer photographs may be sufficient to meet the requirements in Section 40.7(b). If the Servicer believes that fewer than 20 photographs are sufficient for a Property, the Servicer must provide a justification in the comment section of the inspection submission.

d. Assessing the physical condition of the Property and any risk issues (04/18/2406/13/24)

The Servicer must assess the physical condition of the Property and any risk issues as follows:



1. In evaluating the Property's physical condition, the Servicer must assess the current condition and trend of all major components of the Property. The Servicer must include in its assessment:
 - Incomplete items in any Repair Agreement,
 - Items in any Repair Agreement that were completed subsequent to the previous inspection,
 - Incomplete Operational Repair items,
 - Deferred Maintenance items,
 - Imminent Life Safety Hazards and Potential Life Safety Hazards, as defined in the Glossary,
 - Environmental issues and any moisture/Mold concerns,
 - Capital improvements that have been made subsequent to the last inspection and/or plans for future capital improvements at the Property,
 - Status of Deferred Maintenance items from most recent prior inspection, and
 - Any concerns from the property manager regarding site and/or building components
2. The Servicer must estimate and report the cost to remediate any Deferred Maintenance, Life Safety Hazards, environmental issues and moisture or Mold issues. Sources for these cost estimates include:
 - Bids received by the property manager,
 - Cost projections by the property manager, and
 - The inspector's estimate based on experience or industry cost standards

If the estimated sum for remediation of all Deferred Maintenance items is greater than \$10,000, or if there are Life Safety Hazards, environmental issues or moisture or Mold issues identified during the property inspection, the Servicer must notify the Borrower within 30 days following the inspection of the need to undertake corrective action to address the specific identified risk. The notice must distinguish Imminent Life Safety Hazards from Potential Life Safety Hazards. Imminent Life Safety Hazards pose the highest risk to tenants, (see the Glossary).

3. The Servicer must confirm that the Borrower has received any notices regarding Deferred Maintenance. Additionally, if the estimated sum for remediation of the Deferred Maintenance or other identified issues is greater than \$25,000 or the Deferred Maintenance represents a significant deficiency affecting the structure or value, or other identified issues represent an Imminent Life Safety Hazard for the tenants, then the Servicer must follow up in a timely manner until such risks have been remediated or resolved. Quarterly reporting will be required to PRS Loan Item Tracking (LIT) for Properties that have:



- A property condition rating of 4 or 5
 - Deferred Maintenance totaling more than 10 percent of the UPB
 - An identified Imminent Life Safety issue, or
 - A situation that may require additional monitoring (at the discretion of Freddie Mac)
4. For an SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/02/2015 where the Servicer determines that any Priority Repair or PR-90 Repair on Form 1104, SBL Physical Risk Report, has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repairs and PR-90 Repairs and refer Borrower to its obligation under the Loan Agreement to complete the identified repairs. The Servicer must work with the Borrower until each PR-90 Repair consisting of an Imminent Life Safety Hazard is remediated or resolved. The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection.

Freddie Mac will create LIT entries in PRS that captures Priority Repairs and PR-90 Repairs identified on the Form 1104, SBL Physical Risk Report. Within 30 calendar days of deeming any Priority Repair item or PR-90 Repair item complete, the Servicer must go into PRS and update the respective LIT accordingly.

5. For loans with HUD involvement, the Servicer must obtain a copy of the latest HUD REAC (Real Estate Assessment Center) Inspection and review it as an additional data point to the current inspection. The Servicer must discuss any material differences with the Borrower. If there are items included in the REAC inspection that a Freddie Mac inspection did not identify, the Servicer must explain why such items were not addressed in the AIF comments. The Servicer must include information regarding the latest REAC inspection score and note any material differences between the two inspections within the General Comments section of the AIF assessment.
6. The Servicer must work closely with Freddie Mac in handling adverse matters. If the Borrower does not respond to fully remediate the identified adverse matters or provide an action plan acceptable to Lender within 30 days from the Servicer's notifications ~~within 30 calendar days and there are significant Deferred Maintenance items, or there are unremediated Imminent Life Safety Hazards, environmental issues, or moisture or Mold issues,~~ the Servicer must issue a ~~"reservation of rights"~~ notice of default letter as soon as possible, and no later than 10 Business Days after such Borrower inaction. The Servicer must use the Notice of Default and Reservation of Rights (Conventional) or the Notice of Default and Reservation of Rights (SBL) form.

- ~~7. The Servicer must issue a notice of default in accordance with the Loan Documents if the Deferred Maintenance items:~~
- ~~• Represent a significant deficiency affecting the structure or value,~~
 - ~~• Are unremediated Life Safety Hazards~~
 - ~~• Are unremediated environmental issues, or moisture or Mold remain outstanding 60 calendar days after the issuance of a "reservation of rights" letter~~
- ~~In response to any of the Deferred Maintenance items listed above, the~~ The Servicer must evaluate such noncompliance, including the loan risk and proposed action. Within 10 Business Days, the Servicer must notify the Freddie Mac Surveillance team via email at



MF_Surveillance@freddiemac.com to detail the Deferred Maintenance, potential risk and proposed action.

The Servicer must forward a copy of any reservation of rights letter and notice of default to Freddie Mac via email at MF_Surveillance@freddiemac.com.

7. ~~8.~~ The Servicer may consider obtaining a limited scope property inspection report for the specified areas of concern. The terms of the Loan Documents will determine whether the Servicer may charge the Borrower for the cost of the property inspection report. The follow-up should take into account the nature of the risk. The Servicer must provide a copy of any limited scope property inspection and related decisions made based on the Servicer's review of the inspection to the Freddie Mac Surveillance team as follows:
- If there is an open LIT for the property condition, provide an update in PRS
 - If there is not an open LIT for the property condition, send an email to MF_Surveillance@freddiemac.com
8. ~~9.~~ Notwithstanding the above, the Servicer must promptly and, in any case, not later than 10 Business Days from submitting the AIF assessment into PRS, notify Freddie Mac via email at MF_Surveillance@freddiemac.com if any of the following property related issues occur and have not been previously reported to Freddie Mac:
- Property has a very low physical occupancy which is defined as less than 65% and the very low physical occupancy has not been previously reported
 - Property has had an unauthorized change in property manager
 - Deferred Maintenance is estimated at greater than 15 percent of the UPB
 - There is a property condition rating of 4 or 5
 - Property has a total of greater than 10 percent of Down Units
 - Property has any catastrophic conditions that require immediate action
 - Property has any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow

The Servicer must retain a copy of this communication for its records.

9. ~~10.~~ If the Servicer submits an assessment inspection with a property condition rating of 4 or 5, the Servicer must begin collection of Reserve deposits for Replacement Reserves if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement. The Servicer must timely notify the Borrower in writing of such collection requirement and provide a copy of the notice to Freddie Mac. Collection of Reserve deposits for Replacement Reserves must begin no later than the second payment installment date immediately following the assessment inspection submission. Deposits for Replacement Reserves will be disbursed pursuant to the terms of the related Replacement Reserve Agreement.

e. Assessing moisture or Mold issues during the inspection (02/28/19)

1. Special Moisture or Mold Inspection



See Section 8.3(b) and (c) for information regarding when Freddie Mac may require a Special Moisture or Mold Inspection, and for the parameters of such an inspection.

2. Increased Scrutiny for Moisture or Mold

See Section 8.3(b) for information regarding when Freddie Mac may require the Servicer to inspect a Property using the Increased Scrutiny for Moisture or Mold protocols described below.

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

- Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
- Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
- Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
- Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas and all areas previously identified with significant moisture or Mold issues
- Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
- Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

3. Standard moisture and Mold inspection requirements

For all Properties that are not subject to a Special Moisture and Mold Inspection or Increased Scrutiny for Moisture or Mold Issues, as a part of the inspection, the Servicer must

- Search for visual or olfactory evidence of moisture or Mold issues in each area identified as part of the inspection
- Make inquiries of the property owner, manager or other knowledgeable property staff regarding past and current water intrusion; potentially damaging leaks; known Mold issues; and tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
- Inspect areas where water intrusion or leaks were reported



- Identify any defective building condition that would likely lead to future water intrusion or leaks
- Provide comments to describe any moisture or Mold issues and recommend further action, including conducting a Special Moisture or Mold Issues Inspection (see Section 8.3(c) or Section 8SBL.3(c), as applicable)

f. Assessing the property management company (12/12/14)

The property management company is a key component of the success of the Property, and the Servicer must evaluate the property management company's performance, including a review of the following:

- Company experience, property manager's experience and length of time at this site and on-site staffing levels
- Whether routine maintenance matters are appropriately addressed
- Leasing status, concessions, occupancy and adequacy of management's response to any significant changes in market occupancy or market rental rates
- Operations & maintenance (O&M) plan compliance, lead-based paint (LBP) compliance, Moisture Management Plan (MMP) compliance and income compliance reports for income-restricted Properties

g. Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)

The inspector must provide an overview and assessment of the Property's immediate neighborhood, including details on specific ingress or egress issues at the Property. It is the inspector's responsibility to

- Drive through the neighborhood, identify trends and determine if there are any changes to adjoining land uses,
- Identify changes in nearby thoroughfares or major employers that could impact the performance of the Property, and
- Comment on any new construction in the immediate area.

40.8 Timing of the property inspection and the inspection report (10/19/23)

The Servicer must submit the inspection report no later than two calendar months after the date of the actual inspection, even if the inspection report has a later due date. For example, if the inspection took place on April 21, the inspection report must be submitted no later than June 21, even if the inspection report due date would otherwise be June 30.

Servicers can submit the inspection report earlier than the due date, as long as the submission date is within two calendar months of the actual inspection date.



For all Mortgages held by Freddie Mac, if a Servicer submits the AIF in an earlier quarter than the due date, Freddie Mac will change future AIF due dates to the quarter in which the AIF was submitted. For example, if the AIF is due September 30, 2024 and is submitted by June 30, 2024, Freddie Mac will move the 2025 AIF due date from September 30 to June 30, 2025 to make sure that the timing between inspections is maintained at approximately 12 months.

If a property condition report performed on the Property is more current than the most recent inspection, the inspection date of the most recent property condition report can be used as the date to set the new anniversary date for the next property inspection. For example, if the last property inspection was April 15, 2025 and another property condition report was completed on December 15, 2025 in conjunction with the origination of a supplemental loan on the Property, the Servicer can request in PRS that the due date for the next inspection be moved to December 31, 2026. The Servicer should confirm in their PRS due date change request that the property condition report has been uploaded into DMS.

40.9 Completing and submitting the inspection; retention of inspection documentation (04/27/18)

To complete an inspection submission, the Servicer must enter the Borrower's property inspection information into the appropriate fields on the inspection submission. If the Property is a Seniors Housing Property, the Servicer must complete the additional Seniors Housing Supplement tab.

For detailed instructions on completing the form, see the Annual Inspection and Loan Management Forms Desk Reference, which can be found at mf.freddiemac.com, or any such documentation that Freddie Mac may provide.

During any period that Freddie Mac owns the Mortgage, the Servicer must submit the following components of the AIF into PRS in order for Freddie Mac to deem the submission of the AIF to be complete:

- The completed AIF
- The current rent roll, identifying commercial units where applicable, certified by the Borrower or an individual or entity (which may include the property manager) authorized by the Borrower to execute the certification on the Borrower's behalf (the signature of the Borrower or designee is sufficient). If an individual or entity other than the Borrower provides the certificate, the Servicer must obtain and retain in the Mortgage File a copy of the Borrower's authorization for that certifying individual or entity to execute the certificate on behalf of the Borrower

For the purposes of the AIF, a rent roll is considered to be current if it is dated no more than two months prior to or after the inspection date. For example, if the Property was inspected on May 10, the rent roll is considered current if dated from March 10 through July 10.

If the Servicer is submitting an AIF for a Seniors Housing Property, the Servicer must submit the following additional items via PRS for Freddie Mac to deem the submission of the AIF to be complete:

- Completed Seniors Housing Supplement sections of the AIF
- Copies of licenses or certificates and any reports by regulating agencies
- Copies of any violations cited by any regulatory agency and notices of any fines



The Servicer must retain copies of the completed inspection submission, all attachments and any other documentation that supports the summary information shown on the inspection submission, including correspondence with the Borrower regarding any identified risk issue.

40.10 Late, incomplete or unacceptable assessments; penalties and enforcement
(~~10/19/23~~06/13/24)

~~This Section 40.10 applies during any period that Freddie Mac holds the Mortgage.~~

Freddie Mac considers an assessment to be late if not received in complete form on or before the due date of the assessment or if, for an AIF, the assessment is not submitted within 60 days of the Property inspection date.

If the Servicer submits the assessment without all of the necessary attachments, the assessment will continue to have a status of Due and will be late after the due date in PRS until the Servicer submits all necessary items.

If Freddie Mac, in its sole discretion, determines an assessment to be unacceptable, Freddie Mac will identify such assessment deficiencies and require the Servicer to resubmit a corrected, complete assessment and/or to re-inspect the Property as soon as practicable after such determination. Freddie Mac will consider an assessment unacceptable if such assessment: (i) materially misrepresents, misstates or conceals information about the condition of the Mortgaged Property that would otherwise be properly disclosed pursuant to industry-accepted multifamily property inspection standards; and/or (ii) fails to meet the requirements set forth in the Guide.

The Servicer must diligently and in good faith remedy any such identified deficiencies. In doing so, the Servicer must keep Freddie Mac apprised of its efforts, including actions to be taken and related timing, by sending updates to MF_Surveillance@freddiemac.com.

The following penalties are payable to Freddie Mac for: (i) late or incomplete submission of an assessment, or (ii) submission of an unacceptable assessment:

Complete assessment received during the first month following due date month	\$1,000
Complete assessment received during the second month following due date month	\$2,500
Complete assessment not received by the end of the second month following due date	\$5,000
Submission by a Servicer of an unacceptable assessment	\$25,000
Submission by a Servicer of an unacceptable assessment more than one time	\$50,000

The Servicer must pay any penalty assessed against it within 10 Business Days of Freddie Mac’s request. If a Servicer fails to comply with any of its assessment/inspection obligations pursuant to this Chapter 40, including the failure to timely remit to Freddie Mac any penalty assessment, the Servicer will be subject to: (i) increased or targeted audits related to the Servicer’s quality and control standards; and/or (ii) disciplinary action(s) “with cause” (as described in Chapter 4).



40.11 Obligation to review and verify the General Loan Information (02/18/21)

During any period in which Freddie Mac holds a Mortgage, the Servicer must review, no less than annually, the General Loan Information (GLI) displayed in the Property Reporting System (for example, Property name and total units). If any GLI data is incorrect, the Servicer must submit proposed changes via email noting such changes to MF_Asset_Perf@freddiemac.com.

40.12 Freddie Mac's rights (12/12/14)

In addition to other rights and remedies set forth in the Guide, Freddie Mac reserves the right, in its sole discretion, to

- Require more frequent assessments
- Request the Seller/Servicer to submit to Freddie Mac the following:
 - Copies of all tax returns filed by the Borrower, within five days after receipt of tax returns from the Borrower
 - Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent that such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
 - With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request
- Reject unsatisfactory inspectors, including FICs
- Perform its own assessment (the property inspection and/or any analysis) at the Servicer's expense if the Servicer fails, when required, to perform an assessment or to submit an assessment in accordance with the requirements of this chapter
- With respect to Mortgages secured by a Property owned by a Cooperative, require one or more of the following:
 - A current maintenance roll
 - A statement of income and expenses for a Cooperative Borrower's operation of the Property
 - The most recent approved annual operating budget
 - The most recent capital expense study/plan

40.13 Inspector requirements (10/19/23)

a. General inspector requirements for all Mortgages (06/25/20)

The Servicer must retain qualified inspection staff within its asset management department to inspect Properties securing Freddie Mac Mortgages. Under certain circumstances, the Servicer



may use other qualified personnel to perform inspections, such as loan production staff or third-party inspectors, in accordance with the requirements in Sections 40.14. All inspectors must meet the following requirements, as well as the specific requirements in 40.13(b):

- Know Freddie Mac's Guide requirements relating to inspections
- Be able to make independent judgments on the condition of the Property
- Have sufficient multifamily real estate knowledge and experience to assess general functionality and maintenance of the Property, and to conduct a property inspection as described in Section 40.7.

The property inspector cannot be the originator of the Mortgage, unless the Servicer ensures that there is no Equity Conflict of Interest for the Mortgage originator and that the Mortgage originator is able to make an independent, unbiased assessment of the condition of the Property. The Servicer must retain adequate documentation with the property file to justify this determination.

The appraiser who conducted the Appraisal when the Mortgage was originated may not perform the physical property inspection for an assessment.

b. Specific inspector requirements (10/19/23)

Beginning with all inspections with a PRS submission year of 2024, Freddie Mac requires inspectors to have at least the following specific experience and training based on the level of risk.



Mortgage Characteristics	Eligible Inspector
Mortgage is not on the CREFC Watchlist at the time the inspection is scheduled <u>or</u> the Mortgage's Risk Rating is 6 or less	<ol style="list-style-type: none"> 1. Industry Trained Inspector, or 2. Certified Inspector, or 3. Exempt Inspector
Mortgage is on the CREFC Watchlist at the time the inspection is scheduled, <u>or</u> the Mortgage's Risk Rating is > 6	<ol style="list-style-type: none"> 1. Certified Inspector, or 2. Exempt Inspector
All Mortgages with Significant Repairs and/or Replacements	<ol style="list-style-type: none"> 1. Certified Inspector, or 2. Exempt Inspector
All affordable housing loans originated in the TAH program, and/or with property-based HUD Section 8 involvement, regardless of CREFC Watchlist or Mortgage's Risk Rating	Exempt Inspector at least every other inspection
All Mortgages for Properties that are older than 40 years from the current year and haven't had a renovation (see below) in the prior 20 years from the current year	Exempt Inspector at least every other inspection

Notes:

1. An Industry Trained Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,
- Completed at least 25 multifamily asset inspections under supervision by a Certified or Exempt Inspector, and
- At least one year of experience in analyzing the physical and/or financial condition of commercial real estate assets

2. A Certified Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,
- Completed more than 50 multifamily inspections comparable to Freddie Mac's property inspections, and



- At least two years' experience performing multifamily inspections comparable to Freddie Mac's property inspections
3. An Exempt Inspector:
- Has at least five years' experience performing multifamily inspections comparable to Freddie Mac's inspections and has completed more than 100 of such inspections, or
 - Meets the qualifications for a property condition consultant set forth in Section 62.8 or Section 62SBL.17, as applicable
4. Renovation Criteria – Properties over 40 years old will not require an Exempt Inspector if the date of the renovations is less than 20 years from the current year and all of the following criteria are met:
- The documented property renovations amount to at least \$10,000/unit
 - At least 75% of units were renovated
 - Renovations include updates to at least two major building systems (electrical, heating, ventilation, air conditioning, plumbing, fire protection, elevators roofs, etc.)

c. Waiver of inspector requirements (03/03/17)

If the Servicer determines that an inspector on its staff is the most qualified individual to inspect a particular Property, but that person does not meet the experience requirements in Section 40.13(b), the Servicer may allow the inspector to perform that inspection. However, the Servicer must retain adequate documentation with the property file to justify this determination. The Servicer may use this waiver on an exception basis when warranted, not on an ongoing basis. Freddie Mac reserves the right, in its sole discretion, to determine that a Seller/Servicer may not continue to exercise this waiver.

d. Guidance for a quality control program for staff inspectors (12/12/14)

Freddie Mac recommends that the Servicer establish an inspector quality control (QC) program to ensure that inspections completed by staff and/or third-party fee inspector company (FIC) inspectors are accurate, reliable and in compliance with Freddie Mac's requirements.

e. Servicer conflicts of interest and required independent inspections (06/25/20)

The property inspector must not have an Equity Conflict of Interest, as defined in Section 2.25. If there is a Seller/Servicer-Level Owner Equity Conflict of Interest and/or an Employee-Level Owner Equity Conflict(s) of Interest with respect to all employee(s) who could perform the inspection, an independent third-party fee inspector company must perform the physical inspection, regardless of the Risk Rating or CREFC Watchlist status of the Mortgage.



40.14 Third-party fee inspector company requirements (06/25/20)

a. Restrictions on the use of a third-party fee inspector company (06/25/20)

The Servicer may not engage an FIC to conduct any inspection for a Property securing a Mortgage that is held by Freddie Mac and that has a current Risk Rating greater than six. However, for other inspections, the Servicer may use an FIC that meets all Freddie Mac inspector and FIC requirements if the FIC has no ownership interest in the Borrower or other conflict of interest with the Borrower. For the purpose of determining a conflict of interest, the Servicer should apply the Equity Conflict of Interest standards set forth in Section 2.25, as if the FIC were the Employee-Level Owner or the Seller/Servicer Level Owner, as applicable.

The Servicer is responsible for working with the FIC to ensure inspectors have the minimum requirements per Section 40.13. The Servicer is ultimately responsible for the accuracy of all information included in the inspection, whether or not the Servicer performed the inspection directly.

b. FIC acceptability (05/31/12)

Freddie Mac does not select, hire or approve any specific FIC for the performance of physical property inspections for assessments. However, Freddie Mac does reserve the right to refuse to accept an assessment for which the property inspection was performed by an FIC or inspector that Freddie Mac deems unacceptable. Freddie Mac will maintain, on FreddieMac.com, the Multifamily Restricted Vendor List. If an FIC appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that FIC for future Freddie Mac assessments until notified otherwise by Freddie Mac. The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable vendors do not prepare reports for Multifamily and will constitute “Confidential Information” as defined in Section 2.8.

An FIC may not at any time represent itself to third parties as being approved by Freddie Mac.

Freddie Mac may revoke the Servicer's general right to use an FIC for physical property inspections for assessments if the Servicer does not administer the selection and use of FICs in a manner that ensures compliance with all Freddie Mac requirements.

An FIC may employ contract workers who meet the inspector requirements and follow all inspection requirements contained in this chapter.

40.15 Additional Seller/Servicer reporting requirements for non-SBL Mortgages prior to Securitization (04/30/19)

For any non-SBL Mortgage scheduled for Securitization, the Seller/Servicer must submit all documentation via DMS with a notice to MF_Asset_Perf@freddiemac.com. The Seller/Servicer must provide all Borrower and Property financial data as presented by the Borrower. No analysis of the data is required. The Loan Documents may permit the Seller/Servicer to assess a late charge if the Borrower does not submit the documentation listed below within a specified time. The Seller/Servicer may retain 100 percent of this late charge.

The Seller/Servicer must submit, in an electronic format acceptable to Freddie Mac, the following documentation:



1. A rent roll, a statement of income and expenses for the Borrower's operation of the Property, and a statement of changes in financial position and balance sheet, as follows:
 - a. Except for Mortgages secured by a Property owned by a Cooperative, within 30 days after the end of each calendar quarter following purchase:
 1. Current rent roll dated no earlier than the date five days prior to the end of such quarter
 2. Income and expenses for the Borrower's operation of the Property either
 - For the 12-month period ending on the last day of such quarter, or
 - If, at the end of such quarter, the Borrower and any Affiliate of the Borrower have owned the Property for less than 12 months, for the period commencing with the first full month of operations following the acquisition of the Property by the Borrower or its Affiliates and ending on the last day of such quarter.
 - b. Within 100 days after the end of each fiscal year:
 1. Annual statement of income and expenses for the Borrower's operation of the Property for that fiscal year
 2. Statement of changes in financial position of the Borrower relating to the Mortgaged Property for that fiscal year
 3. Balance sheet showing all assets and liabilities of the Borrower relating to the Mortgaged Property as of the end of that fiscal year and a profit and loss statement for the Borrower
 4. Accounting of all security deposits held pursuant to all leases meeting the requirements of the Loan Documents

If the Loan Documents have been modified to allow the Borrower more than 90 days to deliver the documents set forth above, the Seller/Servicer must deliver the documents within five days after receiving them from the Borrower.
 - c. At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
 1. Current rent roll
 2. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
 3. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
2. Other documentation

Upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:



- a. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
- b. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
- c. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

40.16 Reporting for Special Product Type Mortgages (04/14/22)

The following Mortgages are considered “Special Product Type Mortgages” for the purposes of this chapter:

- SBL Mortgages
- Value-Add Mortgages
- Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS
- Mod Rehab Mortgages
- MHC Mortgages with MHC Tenant Protections

Except as modified by this Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

a. **SBL Mortgages (03/03/17)**

Additional documentation requirements for SBL Mortgages prior to securitization will be limited to the following:

- At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
 - a. Current rent roll
 - b. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
 - c. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
 - d. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
 - e. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is



available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)

- f. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

b. Value-Add Mortgages (09/30/20)

The Servicer must submit the Annual Financial and Quarterly Financial assessments for a Value-Add Mortgage as outlined in Sections 40.2(a) and 40.2(b).

In addition, starting with the end of the first quarter after the Origination Date (unless the end of the quarter is within one calendar month of the Origination Date), and continuing every quarter thereafter until the loan has paid off, the Servicer must report on renovation progress and rental conditions at the Property via the **Value-Add Reporting** LIT. The report is due within one month after the close of the quarter. The Servicer must submit the following documentation:

- **Form 1028, Value-Add Monitoring Form**

A version of Form 1028 customized by Freddie Mac for each Property will be attached to the LIT within 45 days of the Freddie Mac Funding Date and must be used for all reporting requirements. The copy available at mf.freddie.com/lenders/asset is for informational purposes only and should not be used for reporting. This completed form must be submitted in its original Excel format.

In the event there are errors in the form, corrections should be requested via the **Value-Add Reporting** LIT. Freddie Mac will make form corrections as needed.

The reporting options available (and explained in more detail in the *Help Me Choose* menu in the form) are:

- Quarterly update – work has not commenced
- Quarterly update – work has commenced
- Quarterly update – post renovation completion monitoring
- Close-out

- **Borrower Quarterly Certification, Value-Add Transaction**

A copy of the certification was included in the original Loan Documents. This certification must be fully executed by the Borrower and must include all relevant attachments as defined in the certification.

In addition to the Value-Add Reporting LIT, the Servicer must use the **Construction Completion Date – Value-Add** LIT to document the Value-Add completion date. Upon completion of the renovation, Form 1028 must be submitted to this LIT – using the *Close-out* option – with the following documentation (which, except for the first bullet, are defined further in the Rider to Multifamily Loan and Security Agreement Value-Add Transaction):



- Certification of substantial completion by the Architect of Record using AIA Form G-704 (if applicable)
- Engineer's certificate
- Final and unconditional lien waiver from the general contractor
- Evidence of Compliance with Laws
- Evidence of Minimum Expenditure Requirement
- Other Certificates and Items as detailed in the Rider to Multifamily Loan and Security Agreement Value-Add Transaction

Any additional comments regarding these documents should be made on Form 1028.

In the event close-out documentation is being submitted concurrently with quarterly reporting, then two Form 1028s must be submitted – one to the **Construction Completion Date – Value-Add** LIT using the “Close-out” reporting option, and the other to the **Value-Add Reporting** LIT using the “Quarterly update – post renovation completion monitoring” reporting option.

All reporting must reflect trailing 12-month financial statements, unless indicated otherwise on Form 1028.

With respect to the AIF described in Section 40.7, the Servicer must address the status of each Value-Add component described in the Value-Add Schedule of Work that was included in the final loan package in the “Repairs Verification” tab of the AIF and provide a representative number of photographs. Once the work is completed, the AIF must be performed by an individual meeting the qualifications of either a Certified or Exempt Inspector as identified in Section 40.13(b); an engineer/architect or off-cycle site visit will not be necessary.

c. Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)

In conjunction with the requirements described in Sections 40.3 and 40.4, the Servicer must submit the following items for Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS:

- The appropriate Q-CREFC Assessment template with financial spreads provided on a trailing 12-month basis (instead of year-to-date annualized)
- Most recent construction or engineering report, as available, added as an attachment (unless already provided to Freddie Mac)
- The Excel® Unstabilized Monitoring Form, completed as specified in Section 40.3(c), when submitting assessments using the Q-CREFC or A-CREFC assessment format, except for Value-Add Mortgages, which require the use of Form 1028.

The Excel® Unstabilized Monitoring Form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.



The Servicer must submit a Quarterly Assessment for the first, second and third quarter reporting to Freddie Mac through PRS by May 31, August 31 and November 30.

d. Mod Rehab Mortgages (05/05/17)

In addition to the requirements described in Section 40.2(b), the Servicer must submit various reports and documentation to Freddie Mac when disbursing funds periodically to reimburse renovation expenses. See Section 39.9 for a description of these requirements.

e. MHC Mortgages with MHC Tenant Protections (04/14/22)

In addition to the requirements described in Section 40.2(b), to validate Borrower's compliance with the MHC Tenant Protections, the Servicer must:

1. Submit the "Borrower's Certificate - MHC Tenant Protections" through Loan Item Tracking (LIT) in PRS no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date
2. Conduct an annual audit of the residential leases with the Applicable MHC Residents and any other MHC Tenant Protection Document(s) that contain the MHC Tenant Protections, to confirm:
 - A. The MHC Tenant Protections are included in the MHC Tenant Protections Document(s)
 - B. The applicable MHC Tenant Protection Document(s) have been executed by the Applicable MHC Residents; and
 - C. The Applicable MHC Residents are existing residents of the Property

If the Borrower has elected to (i) incorporate the MHC Tenant Protections in the MHC rules and regulations and (ii) deliver to each Applicable MHC Resident an MHC Tenant Protections Notification as described in Guide Section 22.2(p), then in lieu of item B above, the Servicer must conduct an audit of the MHC Tenant Protections Notifications to confirm they include all the MHC Tenant Protections and were correctly addressed to the Applicable MHC Residents.

3. In connection with any audit conducted under this Section 40.16(e)(2):
 - A. The Servicer must request electronic copies of the residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications no more than 10 days after the first anniversary of the Origination Date, and thereafter no more than 10 days after each successive anniversary of the Origination Date
 - B. The Servicer must randomly select residential leases and/or Applicable MHC Residents chosen for the audit and cannot include residential leases and/or Applicable MHC Residents from a prior annual audit unless all residential leases and/or Applicable MHC Residents have already been audited



- C. The Servicer must review at least five percent, but no greater than 20 residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications
4. Upon completion of the applicable annual audit required under Section 40.16(e)(2) above, the Servicer must submit, through LIT in PRS, the related Chief Servicing Officer (CSO) Certification (MHC Tenant Protections - Compliance) found on mf.freddiemac.com at <https://mf.freddiemac.com/lenders/asset/#ServicerSpecialRequestForms> certifying as to the status of Borrower's compliance with the MHC Tenant Protections. The Servicer must submit the CSO Certification no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date.

If the Servicer certifies to the Borrower's "substantial compliance" with the MHC Tenant Protections on any Mortgage, the Servicer will be required to provide a written status update to Freddie Mac every six months addressing the Borrower's efforts to obtain executed copies of the MHC Tenant Protections Document(s) from all Applicable MHC Residents until such time as the Borrower has fully complied with the applicable requirements. The status updates must be submitted through LIT in PRS.

40.17 Mortgages with Required Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)

In addition to the other requirements described in this chapter, to validate the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement, the Servicer must submit through the Loan Item Tracking (LIT) in the Property Reporting System (PRS):

- Within 15 Business Days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), the Borrower's Affordability Certification evidencing the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement
- Within 30 days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), a notice to Freddie Mac of the Borrower's failure to comply with the Required Rent Restrictions Rider to the Loan Agreement, together with Servicer's calculation of any related noncompliance fee
- Within 60 days after the initial reporting date and each anniversary thereafter (or 30 days after the related cure period, if such cure period is available), the Chief Servicing Officer Certification (Required Rent Restrictions - Compliance) form, certifying that the Servicer has validated the Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement and, if applicable, has calculated any related noncompliance fee
- As soon as practicable upon request by Freddie Mac or any regulatory body having regulatory authority over Freddie Mac, any other information pertaining to the loan as may be specified in the request, and copies of any leases or other data received and used by the Servicer to: (i) confirm Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement, and (ii) calculate any noncompliance fee



Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:51:36 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 40 - Assessments Post-purchase Reporting GB-04-18-24.docx	
Modified filename: 40 - Assessments Post-purchase Reporting GB-06-13-24.docx	
Changes:	
<u>Add</u>	14
Delete	24
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	38

Multifamily Seller/Servicer Guide

Chapter 41

Transfers of Ownership



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- 41.3 ~~Conditionally Permitted Transfers of Ownership (04/18/24)~~ [Conditionally Permitted Transfers of Ownership \(06/13/24\)](#)
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- c. Transfer fee (09/18/14)
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41.1 Transfers of Ownership in the Property or in the Borrower (04/18/24)

As used in this Chapter 41, the term “transferee” refers to

- The new Borrower if the proposed transaction is a Transfer of Ownership in the Property with an assumption of the loan, or
- The new owner of interests in the Borrower if the proposed transaction is a Transfer of Ownership interests in the Borrower.

a. **Applicability, use of the Consent Request Tracker and review of General Loan Information (04/18/24)**

This chapter states the procedures for Servicers to use with respect to permitted, conditionally permitted, and prohibited Transfers of Ownership in the Property (assumptions) and Transfers of Ownership interests in the Borrower.

For each Transfer of Ownership, the Servicer must:

- Use the Consent Request Tracker (CRT) to record date milestones, status information, comments and the date of a Servicer’s decision on individual Borrower requests for lender consent in accordance with Section 36.25. CRT can also be used to upload any applicable documentation for the consent request instead of separately opening Document Management System (DMS) to upload the documents.
- Review the General Loan Information (GLI) (for example, Property name and total units) to ensure that the GLI data is accurate, and send any corrections via email to MF_Asset_Perf@freddiemac.com

b. **Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (04/29/16)**

1. **Electronic delivery**

When this chapter requires electronic delivery of any document, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify:

- For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Asset Management, Borrower Transactions*
- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, Targeted Affordable Housing Mortgages or Credit Facilities, *Multifamily Asset Management, Structured Transactions*
- For all other Mortgages, *Multifamily Asset Management, Borrower Transactions*

2. **Delivery of original documents to Freddie Mac**

When this chapter requires delivery of an original document with respect to any Mortgage,



the Servicer must

- Upload the document into DMS, and
- Deliver the original to
 - For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Asset Management, Borrower Transactions*
 - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, Targeted Affordable Housing Mortgages or Credit Facilities, *Multifamily Asset Management, Structured Transactions*
 - For all other Mortgages, *Multifamily Asset Management, Borrower Transactions*

3. Delivery of notices to Freddie Mac

When this chapter requires email delivery of a notice to Freddie Mac, the Servicer must direct the email to

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, Targeted Affordable Housing Mortgages or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
- For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

c. Delivery of documents and notices to Freddie Mac following a Transfer of Ownership (04/29/16)

1. Electronic delivery

When this chapter requires electronic delivery of any document following a Transfer of Ownership, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into DMS and using the “File Submission” link to notify:

- For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Purchase*
- For structured transactions, Tax Exempt Bond Credit Enhancement Mortgages, acquisition rehabilitation/lease-up/moderate rehabilitation loan products, Targeted Affordable Housing Mortgages or credit facilities, *Multifamily Asset Management, Structured Transactions*
- For all other Mortgages, *Multifamily Purchase*

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage,



the Servicer must:

- Upload the document into DMS, and
- Deliver the original to
 - For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Purchase*
 - For structured transactions, Tax Exempt Bond Credit Enhancement Mortgages, acquisition rehabilitation/lease-up/moderate rehabilitation loan products, Targeted Affordable Housing Mortgages or credit facilities, *Multifamily Asset Management, Structured Transactions*
 - For all other Mortgages, *Multifamily Purchase*

d. Seller/Servicer obligation to screen existing and new Borrowers, Borrower Principals and Non-U.S. Equity Holders (09/01/16)

Within five Business Days after the Transfer of Ownership occurs, the Servicer must electronically deliver the following certification to Freddie Mac in a letter on the Seller/Servicer's stationery:

- "Servicer certifies that it has determined that none of [insert the Borrower, new Borrower Principals, new Non-U.S. Equity Holders or new property management company, as applicable] are the target of any sanctions law administered or enforced by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), including a person or entity identified on the most current OFAC Specially Designated Nationals and Blocked Persons (SDN) List or OFAC Consolidated Sanctions List; and
- Servicer certifies that it has reviewed the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List in accordance with Section 2.24 of the Guide and that none of the [insert Borrower, new Borrower Principals or new property management company, as applicable] are identified on the FHFA SCP List, subject to any conditions or exclusions set forth in any applicable FHFA SCP final suspension order published on FHFA's SCP website."

See Sections 41.3(c) and 41.6(g) for requirements for submitting this certificate with the required documentation for a Transfer of Ownership.

The Servicer must also conduct the Exclusionary List review as provided in Section 2.18.

41.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)

Loan Documents have varying provisions regarding Transfers of Ownership. The Servicer and its counsel must carefully review the applicable Loan Documents to determine what, if any, Transfers of Ownership are permitted and what the conditions are for reviewing those Transfers of Ownership.

**a. Mortgages that permit transfers without the consent of the Lender (04/18/24)**

Certain Loan Documents permit Transfers of Ownership without consent of the lender, and without specific pre-authorization provisions. Mortgages purchased through the Multifamily Negotiated Transactions Program may fall under this category.

The Servicer must take the following actions:

1. Enter the permitted transfer into the Consent Request Tracker within five Business days after learning of it, and must, at that time, include the name of the transferee, the date of the Transfer of Ownership, and the terms of the transfer, if known. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver supporting documentation such as an organizational chart and organizational documents to Freddie Mac
3. Ensure that all insurance policies reflect the new ownership

A confirmation email will be sent by Freddie Mac if Freddie Mac concurs that the transfer is permitted under the terms of the Loan Documents.

For Transfers of Ownership permitted by Mortgages described in this section, the application and approval provisions of this chapter do not apply, and neither Freddie Mac nor the Servicer will impose a review/processing fee or transfer fee (other than as set forth in the Loan Documents).

b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)

Some Loan Documents contain provisions that pre-authorize certain Transfers of Ownership that have been underwritten at the time of the origination or prior assumption of the Mortgage. See Section 41.3 for the procedures for approval and documentation of a conditionally permitted Transfer of Ownership.

c. Mortgages that prohibit transfers without the consent of the Lender (04/18/24)

If the Loan Documents contain a provision that states that the lender may or will permit an otherwise prohibited Transfer of Ownership if the proposed transferee meets certain standards as to credit, management ability or other matters, the Property (and interests in a Borrower entity that are covered by the transfer language) may be transferred, but only subject to the provisions of Sections 41.4 through 41.8.

41.3 Conditionally Permitted Transfers of Ownership (04/18/2406/13/24)**a. Notice to Freddie Mac (04/18/24)**

Within two Business Days after receiving notice of a conditionally permitted Transfer of Ownership – whether that notice is received prior or subsequent to that Transfer of Ownership – the Servicer must enter the applicable information into the Consent Request Tracker.

1. If the Servicer receives notice of a conditionally permitted Transfer of Ownership after the Transfer of Ownership is completed, the Servicer must



- Confirm that the Transfer of Ownership is conditionally permitted under the terms of the Loan Documents and
 - Deliver any documentation required by the terms of the conditional permission provisions in the Loan Documents and remit any applicable fees to Freddie Mac as described in 41.3(b) - (e)
2. If the Servicer receives notice of a conditionally permitted Transfer of Ownership prior to the date of the transfer, then promptly following the Servicer's receipt of notice from the Borrower, the Servicer must electronically deliver to Freddie Mac each of the following:
- Copies of any documentation required by the terms of the pre-authorization provisions in the Loan Documents
 - Preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 and confirming that the transfer is conditionally permitted under the terms of the Loan Documents
 - Servicer's written certification that the Transfer of Ownership meets all the requirements for a conditionally permitted Transfer of Ownership under the terms of the Loan Documents

If Freddie Mac concurs that the transfer is conditionally permitted under the terms of the Loan Documents, Freddie Mac will issue an Acknowledgment of Conditionally Permitted Transfer. The Servicer must then deliver the documentation and remit the applicable fees as described in 41.3(b) - (e).

b. Delivery of documents requiring Freddie Mac signature (06/29/18)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least three Business Days prior to the date of the conditionally permitted Transfer of Ownership.

c. Transfer documentation – electronic delivery (04/18/2406/13/24)

Not later than five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must electronically deliver the following documents if required by the Loan Documents and/or the Freddie Mac Acknowledgment of Conditionally Permitted Transfer:

1. Servicer's certification(s) regarding Borrower and organizational documents, if applicable
2. Servicer's OFAC/FHFA SCP certificate as required by 41.1(d)
3. Reserved
4. An executed ~~Form 1115, Borrower Certificate, and Form 1115, Key Borrower Principal Certificate~~ [Form 1115, Borrower and Key Borrower Principal Certificate](#), as detailed in Section 55.2, for each transferee and new Key Borrower Principal, as applicable
5. Preliminary legal issues memorandum (PLIM), if not previously provided to Freddie Mac



6. If applicable, a certified copy of any recorded documents such as a Memorandum of Loan Assumption Agreement or a UCC Financing Statement
7. Transfer of Interest Reaffirmation Agreement, if applicable
8. Guaranty Assumption and Loan Modification Agreement, if applicable
9. Assignment of Management Agreement, if applicable
10. Freddie Mac Acknowledgement of Conditionally Permitted Transfer, acknowledged by the Servicer (if required by the terms of the Acknowledgment), if not previously uploaded to DMS
11. Opinions, if applicable
12. Any other documents required by the terms of the Loan Documents or the Freddie Mac Acknowledgement of Conditionally Permitted Transfer

d. Post-transfer documentation – delivery of originals (04/18/24)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must deliver to Freddie Mac originals of any amendment to any Note, Guaranty or any other Loan Document for which delivery of an original is required under the Final Delivery Table of Contents.

e. Remittance of fees (06/29/18)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must remit by wire transfer to Freddie Mac any fees required pursuant to the terms of the pre-authorization provisions of the Loan Documents, in accordance with the requirements of Section 41.9.

**41.4 Transfer of Ownership requiring Freddie Mac consent – application for approval
(~~12/14/23~~06/13/24)**

Within two Business Days after receiving a request for a Transfer of Ownership, the Servicer must enter the applicable information into the Consent Request Tracker.

If an Equity Conflict of Interest exists as defined in Section 2.25, the Servicer must provide *Multifamily Asset Management, Borrower Transactions* a written statement that discloses the nature and extent of that Equity Conflict of Interest within three Business Days after receiving the Borrower's request for approval of the Transfer of Ownership.

The Servicer must electronically submit all items required for a complete review package and the Servicer's recommendation, including the applicable information required pursuant to Sections 41.4(a), (b) and (c), to Freddie Mac at least 15 days prior to the proposed date of the Transfer of Ownership. The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local laws or regulations.



a. **Basic information required** (~~12/14/23~~[06/13/24](#))

In this Section, the term “new sponsor” refers to any Key Borrower Principal of the proposed new Borrower following a Transfer of Ownership in the Property.

Promptly following receipt of the existing Borrower’s notification of the pending Transfer of Ownership, the Servicer must collect the information listed below from each of the following:

- For a Transfer of Ownership interests in the Borrower, the proposed new Key Borrower Principals
 - For a Transfer of Ownership in the Property, the existing Borrower and proposed new sponsor
1. A nonrefundable review/processing fee in accordance with Section 41.9
 2. A completed Transfer of Ownership/Assumption Request, available via FreddieMac.com, including:
 - The Servicer’s thorough analysis of the risks, strengths and weaknesses associated with the proposed transfer
 - The Servicer’s justification and support for its recommendations with respect to any requests for waivers or document modifications
 - The Servicer’s recommendations regarding the need for adjustment to any Impositions or Reserves
 - The Servicer’s explanation of the terms of any seller take-back financing or other Subordinate Financing
 - The Servicer’s explanation of any unusual proposed transferee structure or structure of a transaction done for tax purposes
 - Information regarding any deadline for a real estate exchange done pursuant to Internal Revenue Code Section 1031 and any subsequent transfers that will be requested
 3. A copy of the executed contract of sale or other transfer agreement, letter of intent, or other indication of the existing Borrower’s intent to transfer an ownership interest in the Property or in the existing Borrower, together with a Purchase Agreement Analysis form (as described in Section 55.2).
 4. Current financial statements of the proposed transferee and each proposed new Key Borrower Principals, as described in Section 55.2
 5. An executed ~~Form 1115, Key Borrower Principal Certificate~~[Form 1115, Borrower and Key Borrower Principal Certificate](#), for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55.2
 6. An executed Form 1116, Real Estate Schedule, for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55.2



7. Information concerning the managerial experience of the proposed transferee (if not otherwise fully reflected on ~~Form 1115~~[Form 1115](#)), and the proposed paid professional manager, if applicable, as detailed in the mortgage transaction narrative analysis description in Section 55.2
8. Proposed Borrower organizational chart, which must include
 - Each entity's name, State of formation, and type (e.g., Delaware limited liability company)
 - Each party's ownership percentage
 - Each party's role (e.g., Principal, Guarantor, manager, general partner, etc.)
9. Current financial statements for the Property including a trailing 12-month statement, each certified by the existing Borrower in the manner described in Section 55.2, together with the Servicer's analysis of those statements. If the two most recent certified calendar year financial statements have been submitted to Freddie Mac via the Property Reporting System (PRS), the Servicer may make a statement to that effect on the Transfer of Ownership/Assumption Request and need not attach the calendar year statements unless requested to do so by Freddie Mac.
10. Either a property condition report prepared by a property condition consultant in compliance with Chapter 62 or a Form 1108, Physical Risk Report prepared in compliance with Chapter 66 if any of the following apply:
 - The Property was built more than 15 years previously
 - The most recent Annual Inspection Form (AIF) noted significant Deferred Maintenance
 - The buyer proposes significant capital improvements

Form 1108 is an option only for a Mortgage

 - With an initial principal balance of \$20 million or less, or a Supplemental Mortgage where 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
 - That is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage
11. If neither a property condition report nor a physical risk report is required pursuant to Section 41.4(a)(10) above, and if the most recent AIF is dated more than six months prior to submission of the transfer request (or 12 months for an SBL Mortgage), then the Servicer must conduct a physical inspection of the Property and deliver an updated AIF to Freddie Mac.
12. Copies of all current property reports obtained in connection with the Transfer (e.g., Appraisal, property condition, environmental report, physical risk report, the Level 1 Seismic Risk Assessment (SRA), etc.)



13. A current credit report for any proposed new Borrower or each Guarantor that is an individual, as detailed in Section 55.2
14. A preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4
15. Written certification of the Servicer that there is no uncured event of default or any event, act, or condition that, but for the giving of notice or the passage of time, would constitute an event of default
16. For a Transfer of Ownership that does not involve a transfer of title to the Property, a Certified Organizational Chart (including Form 1114, Certification – Organizational Chart) for the Borrower as constituted prior to the proposed Transfer of Ownership
17. Any other information which Freddie Mac may request in connection with its review of the proposed Transfer

b. Additional information required for Transfers of Ownership of title to the Property (09/28/18)

If title to the Property will change as a result of the Transfer of Ownership, the Servicer must provide the following additional information to Freddie Mac:

1. Organizational documents of the proposed Borrower, together with Servicer's certification that it has reviewed the organizational documents and that they comply with the requirements of Section 9.7
2. Certified Organizational Chart of the proposed Borrower, together with the Form 1114, Certification — Organizational Chart
3. If the proposed new Borrower is an existing entity, Uniform Commercial Code (UCC) financing statement search for the proposed new Borrower dated within 30 days prior to the date of the Transfer of Ownership request and meeting the requirements of Section 29.4
4. Title update report dated no earlier than 30 days before the date of the Transfer
5. An explanation meeting the requirements of Section 29.2 for any title exception that did not appear on the title policy that was issued when the Mortgage was originated, with a copy to the applicable *Multifamily Attorney*
6. The proposed new Borrower's first year budget for the Property
7. Evidence of insurance, as described in Section 31.19(b)

c. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)

The Servicer must deliver each of the following to Freddie Mac at least five Business Days prior to the date of the proposed Transfer of Ownership:

1. A draft property management agreement in essentially final form



2. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Certified Organizational Chart must include the elements set forth in the Organizational Chart Interactive Guidance at https://mf.freddiemac.com/lenders/asset/_under Asset Management References.

41.5 Prohibited Transfer of Ownership requiring Freddie Mac consent – review of the application (06/29/18)

Freddie Mac will evaluate the application and the Servicer's recommendation in accordance with Freddie Mac's credit policies and the terms of the Loan Documents. Factors to be considered may include the following:

- The net income of the Property before debt service and depreciation
- The Debt Coverage Ratio (DCR) and the Loan to Value Ratio (LTV)
- The Property condition
- The proposed transferee's equity in the Property
- The proposed transferee's previous management experience and its ability to maintain or increase the net income of the Property
- The proposed transferee's and proposed Guarantor's financial statements and credit history (evidence that each has the ability to repay the Mortgage and evidence that each has repaid or is repaying other loans according to their respective terms)
- The terms and conditions of any Subordinate Financing

41.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/18/24)

a. Approval (10/07/08)

If Freddie Mac approves the application for the Transfer of Ownership, Freddie Mac will issue an approval letter containing the terms and conditions of its approval.

b. Preparation and review of the documents by the Servicer's counsel (11/30/12)

Chapter 6 sets forth the responsibilities of the Servicer and its legal counsel in connection with a Transfer of Ownership.

The Servicer must obtain the necessary legal documentation to ensure that the existing obligations under the Mortgage remain in full force and effect and that the parties to the Loan Documents continue to be bound by all the terms and provisions of the Mortgage to the extent required by Freddie Mac's approval. The Servicer's counsel must prepare and review the necessary documents in accordance with Section 6.11.



c. Freddie Mac's review of draft documents (11/30/12)

At least 10 Business Days prior to the anticipated closing date for the Transfer of Ownership, the Servicer must submit the documents to Freddie Mac via email for Freddie Mac's review and approval.

d. Execution of documents by Freddie Mac (04/18/24)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least five Business Days prior to the date of the Transfer of Ownership.

e. Recordation (11/30/12)

Following closing of the Transfer of Ownership, the Servicer must arrange for any recordation commonly required by private institutional mortgage investors or required by law to ensure the priority of Freddie Mac's lien. The Servicer must complete such recordation at no cost to Freddie Mac.

f. Remittance of fees (11/30/12)

Within five Business Days after the Transfer of Ownership, the Servicer must remit the following to Freddie Mac in accordance with the requirements of Freddie Mac's approval of the Transfer of Ownership and Section 41.9:

- The Freddie Mac counsel fee to Freddie Mac or its outside counsel
- The balance of any transfer fee due to Freddie Mac

g. Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/18/24)

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

Within five Business Days after the Transfer of Ownership, the Servicer must electronically deliver each of the following documents to Freddie Mac, unless delivery of an original is specified:

1. Recorded transfer deed, if applicable, or other documentation evidencing the transfer (certified copy)
2. If an interest in the Property was transferred
 - a. Recorded Memorandum of Loan Assumption and Modification Agreement (certified copy)



- b. Signed settlement statement (copy)
- c. Endorsement to the existing title policy or a new title policy stating the name of the new Borrower, reflecting the recordation of the Assumption Agreement and evidencing that the effective date of the policy is the date of recordation of the Assumption Agreement and that there are no intervening liens from the date of the original title policy insuring the First Lien until the Transfer of Ownership (copy). If the proposed new Borrower obtains a new title policy, that title policy must meet all of the requirements of Sections 29.1 through 29.3. Freddie Mac reserves the right to require a new title policy rather than to accept an endorsement to the original title policy.

Note: For assumptions involving Property located in Texas, in lieu of a new title policy or down-date endorsement to the original title policy, it is acceptable to provide both of the following:

- A certificate from the Title Company that issued the existing title policy, dated no earlier than the date of recordation of the Loan Modification and Assumption Agreement, listing all matters that affect title to the Property which have been placed of record since the effective date of such title policy
 - A T-38 Endorsement
- d. Explanation meeting the requirements of Section 29.2 of the Guide for any title exception that did not appear on the title policy that was issued when the Mortgage was originated.
3. Signed Guaranty, if applicable (original)
 4. Signed Guaranty Assumption and Modification Agreement, if applicable (original)
 5. Signed Transfer of Interest Reaffirmation Agreement, if applicable (original if Note or Guaranty is modified; otherwise, a copy)
 6. Signed Loan Assumption and Modification Agreement, if applicable (original)
 7. Signed Assignment of Management Agreement and Subordination of Management Fees, if applicable (copy), with a copy of the fully-executed property management agreement attached
 8. If the proposed transferee is an entity, filed and recorded UCC financing statements in the name of the proposed transferee in accordance with the requirements of the Final Delivery Instructions found at mf.freddie.mac.com/lenders/purchase (certified copy)
 9. Statement from the Servicer's counsel that it has examined the UCC search for the proposed transferee, that the search is dated no earlier than 30 days from the Transfer of Ownership and that the search does not indicate any previous filings (or, in the case of previous filings, that any such filings have been approved by Freddie Mac) (copy)
 10. Opinions of proposed new Borrower's/new Guarantor's counsel, regardless of whether the new Guarantor is an individual or an entity (copy). The opinion of counsel must be addressed to Freddie Mac and must contain the provisions and opinions set forth in the Form of Opinion Letters available at mf.freddie.mac.com/lenders/legal, as applicable.



Except as set forth below, the Servicer may accept modifications to the Form of Opinion Letter without Freddie Mac's prior review and written consent to such changes, provided that the Servicer remains able to make the warranties contained in Section 5.2(c) of the Guide and the proposed new Borrower and new Guarantor (if applicable) meet the requirements of Section 9.7 of the Guide.

For a Mortgage securing a Seniors Housing Property, a cross-collateralized and/or cross-defaulted Mortgage, or a Mortgage for which the Freddie Mac Approval of the Transfer of Ownership requires a specific legal opinion in addition to the Form of Opinion Letter, the Servicer must submit a copy of the opinion marked to indicate clearly the additions to and deletions from the appropriate Form of Opinion Letter and receive Freddie Mac's decision as to the acceptability of the additions and deletions before the Servicer completes the Transfer of Ownership.

NOTE: The counsel rendering the opinions must be acceptable to Freddie Mac, or to the Servicer if the Servicer is authorized to approve the opinion. The Freddie Mac Approval may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require the Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.

11. Signed Borrower's Certificate of Representations and Warranties (copy)
12. UCC along with indications of where filed (certified copy)
13. Servicer's OFAC/FHFA SCP certificate as required by 41.1(d)
14. Any other documents required by the Freddie Mac approval letter

h. Servicer's responsibilities following the Transfer of Ownership (04/18/24)

Following the closing of the Transfer of Ownership, the Servicer must

- For a Transfer of Ownership in the Property, promptly file and record UCC financing statement amendments evidencing the addition of new Borrower, as debtor, and the deletion of original Borrower, with respect to Lender's security interest in the fixtures and personal property of the transferor located on or related to the Property. The Servicer must file such UCC amendments, at the Servicer's expense, in each office in which a UCC financing statement has been filed or recorded
- Deliver to all parties concerned a copy of all documents listed in Section 41.6(g)
- Retain copies in the Mortgage File of the documents listed in Section 41.6(g)
- Provide all notices and disclosures required under applicable law or regulation
- Ensure all data fields in the CRT that are Servicer's responsibility to populate are completed
- Ensure that all insurance policies reflect the Transfer of Ownership
- Continue to service the Mortgage as required in the Purchase and Servicing Documents

**i. Servicer’s warranties in connection with a Transfer of Ownership (09/28/18)**

When a Servicer delivers documentation for a Transfer of Ownership, the Servicer will be deemed to have made the warranties in Sections 5.2 through 5.5, 5.10 and 5.14 as of the date the documentation for a Transfer of Ownership is delivered to Freddie Mac.

41.7 Prohibited Transfer of Ownership - Declination of the application for Lender consent (06/29/18)

If Freddie Mac declines the application for Transfer of Ownership, the Servicer must send written notice of the decision to the Borrower and the proposed transferee on behalf of Freddie Mac, in a manner that complies with all applicable laws and regulations and the requirements of Section 10.13.

41.8 Unauthorized Transfers of Ownership (04/18/24)

If the Servicer suspects a prohibited Transfer of Ownership has taken place, the Servicer must act in a timely, efficient and responsible manner to carry out Freddie Mac’s instructions and to fully protect Freddie Mac’s interests as follows:

- Immediately notify Freddie Mac via email describing the circumstances of the possible prohibited Transfer of Ownership.
- Immediately contact the Borrower, the transferees that are not permitted or any party that may have been connected with the transfer to determine whether a prohibited Transfer of Ownership has occurred. If the Servicer confirms a prohibited Transfer of Ownership has in fact occurred, the Servicer must notify Freddie Mac via email at Multifamily Asset Management, Borrower Transactions or, for Structured Transactions, email Multifamily Asset Management, Structured Transactions.

a. Information to be provided to Freddie Mac (06/29/18)

The Servicer must electronically submit the following information to Freddie Mac within two Business Days after confirming that the prohibited Transfer of Ownership has occurred:

1. Information detailing the prohibited Transfer of Ownership (The letter must include the Freddie Mac loan number, the name of the Borrower, the property address, the names and addresses of all known parties connected with the prohibited Transfer of Ownership and details of the discovery of the Transfer of Ownership.)
2. A written summary of any conversations between Servicer personnel and the Borrower or any party involved with the Transfer of Ownership
3. Any evidence of the prohibited Transfer of Ownership
4. Any other information requested by Freddie Mac

b. Property inspection (06/29/18)

Freddie Mac may request that the Servicer complete a Freddie Mac Annual Inspection Form (AIF) in connection with the prohibited Transfer of Ownership. Within 60 days of a request by Freddie Mac, the Servicer must inspect the Property and submit the AIF in accordance with the submission procedures in Chapter 40. If the Servicer is unable to fully inspect the Property, the



Servicer must conduct an exterior inspection and identify any Deferred Maintenance. The Servicer must also conduct a market survey, which, along with past rental and expense information, is to be used by the Servicer to complete the AIF.

c. Additional Servicer obligations (06/29/18)

If the Servicer discovers any additional defaults during the investigation of the prohibited Transfer of Ownership, the Servicer must immediately notify Freddie Mac via email.

41.9 Fees (04/30/19)

a. Review/processing fee (09/18/14)

For loans allowing Transfers of Ownership subject to lender consent, unless otherwise provided in the Loan Documents, the Servicer must charge the Borrower a nonrefundable review/processing fee 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 by wire transfer with the application for the Transfer of Ownership. The review/processing fee is in addition to the transfer fee and will not be applied to reduce the transfer fee. The Servicer may not charge the Borrower any additional fees for processing a Transfer of Ownership unless required by Freddie Mac.

b. Counsel fee (04/29/16)

At closing of the Transfer of Ownership, the Servicer must collect a nonrefundable counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, which may be either outside or in-house counsel. When Freddie Mac approves the Transfer of Ownership, Freddie Mac will issue a letter setting forth the amount of the counsel fee.

The Servicer may also require the Borrower to pay the Servicer's legal expenses and costs (for example, costs for searches, filings, title reviews and endorsements) relating to the Transfer of Ownership.

c. Transfer fee (09/18/14)

Unless otherwise set forth in the Loan Documents, for all approved Transfers of Ownership, Freddie Mac charges a nonrefundable transfer fee in the amount set forth in Exhibit 10. If the Loan Documents provide for different fees, the fees specified in the Loan Documents will apply.

NOTE: If the Transfer of Ownership involves a transfer of interests in the Borrower that does not result in a change in control of the Borrower, and if the Transfer of Ownership will not result in the addition of any new Borrower Principal(s), Freddie Mac may consider reducing or waiving the transfer fee upon written request from the Servicer.

At closing of the Transfer of Ownership, the Servicer must collect the transfer fee. Unless Freddie Mac provides otherwise in its approval letter, the Servicer must remit 50 percent of the transfer fee to Freddie Mac by wire transfer. The Servicer may retain the remaining 50 percent of the transfer fee.



d. **Remittance of fees (04/30/19)**

For all Transfers of Ownership, the Servicer must obtain wire transfer instructions from *Multifamily Asset Management, Borrower Transactions*.

The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

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Intelligent Table Comparison: Active	
Original filename: 41 - Transfers of Ownership GB-04-18-24.docx	
Modified filename: 41 - Transfers of Ownership GB-06-13-24.docx	
Changes:	
Add	13
Delete	15
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	28

Multifamily Seller/Servicer Guide

Chapter 41SBL

SBL Transfers of Ownership



41SBL.1 Transfers of Ownership in the Property or in the Borrower (04/18/24)

- a. Applicability; use of the Consent Request Tracker and review of General Loan Information (04/18/24)
- b. Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (06/30/16)
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- d. Seller/Servicer obligation to screen existing and new Borrowers and Borrower Principals, and Non-U.S. Equity Holders (09/01/16)

41SBL.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)

- a. Mortgages that permit transfers without the consent of the Lender (04/18/24)
- b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)
- c. Reserved (06/29/18)
- d. Mortgages that prohibit transfers without the consent of the Lender (06/29/18)

41SBL.3 ~~Conditionally Permitted Transfers of Ownership (04/18/24)~~[Conditionally Permitted Transfers of Ownership \(06/13/24\)](#)

- a. Notice to Freddie Mac (04/18/24)
- b. Delivery of documents requiring Freddie Mac signature (06/29/18)
- c. ~~Transfer documentation—electronic delivery (04/18/24)~~[Transfer documentation – electronic delivery \(06/13/24\)](#)
- d. Post-transfer documentation – delivery of originals (04/18/24)
- e. Remittance of fees (06/29/18)

41SBL.4 ~~Transfer of Ownership requiring Freddie Mac consent (04/18/24)~~[Transfer of Ownership requiring Freddie Mac consent \(06/13/24\)](#)

- a. Conditions for Freddie Mac consent (04/18/24)
- b. Continuing liability of the Borrower and Guarantor (06/29/17)
- c. Required Servicer disclosure (08/26/21)
- d. ~~Application for approval; information required (12/14/23)~~[Application for approval; information required \(06/13/24\)](#)
- e. Additional information required for Transfers of Ownership of interest in the Property (09/28/18)
- f. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)

41SBL.5 Prohibited Transfer of Ownership requiring Freddie Mac consent -- review of the application (06/29/18)

41SBL.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/18/24)

- a. Approval (06/30/16)
- b. Preparation and review of the documents by counsel (06/30/16)
- c. Freddie Mac's review of draft documents (06/30/16)
- d. Execution of documents by Freddie Mac (04/18/24)



- e. Recordation (06/30/16)
- f. Remittance of fees (06/30/16)
- g. Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/18/24)
- h. Servicer's responsibilities following the Transfer of Ownership (06/30/16)
- i. Servicer's warranties in connection with a Transfer of Ownership (09/28/18)

41SBL.7 Prohibited Transfers of Ownership - Declination of the application for Lender consent (06/29/18)

41SBL.8 Prohibited Transfers of Ownership (04/18/24)

- a. Information to be provided to Freddie Mac (06/29/18)
- b. Property inspection (06/29/18)
- c. Additional Servicer obligations (06/29/18)

41SBL.9 Fees (04/30/19)

- a. Review/processing fee (12/14/18)
- b. Counsel fee (06/30/16)
- c. Transfer fee (12/14/18)
- d. Remittance of fees (04/30/19)



41SBL.1 Transfers of Ownership in the Property or in the Borrower (04/18/24)

As used in this Chapter 41SBL, the term “transferee” refers to:

- The new Borrower if the proposed transaction is a Transfer of Ownership in the Property with an assumption of the loan, or
- The new owner of interests in the Borrower if the proposed transaction is a Transfer of Ownership interests in the Borrower

a. **Applicability; use of the Consent Request Tracker and review of General Loan Information (04/18/24)**

This chapter states the procedures for Servicers to use with respect to permitted, conditionally permitted and prohibited Transfers of Ownership in the Property (assumptions) and Transfers of Ownership interests in the Borrower.

For each Transfer of Ownership, the Servicer must:

- Use the Consent Request Tracker (CRT) to record date milestones, status information, comments and the date of a Servicer’s decision on individual Borrower requests for lender consent in accordance with Section 36.25. CRT can also be used to upload any applicable documentation for the consent request instead of separately opening Document Management System (DMS) to upload the documents.
- Review the General Loan Information (GLI) (for example, Property name and total units) to ensure that the GLI data is accurate, and send any corrections via email to MF_Asset_Perf@freddiemac.com.

b. **Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (06/30/16)**

1. Electronic delivery

When this chapter requires electronic delivery of any document, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify *Multifamily Asset Management, Borrower Transactions*.

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must upload the document into DMS and deliver the original to *Multifamily Asset Management, Borrower Transactions*.

3. Delivery of notices to Freddie Mac

When this chapter requires email delivery of a notice to Freddie Mac, the Servicer must direct the email to Freddie Mac *Multifamily Asset Management, Borrower Transactions*.



c. Delivery of documents and notices to Freddie Mac following a Transfer of Ownership (06/29/18)

1. Electronic delivery

When this chapter requires electronic delivery of any document following a Transfer of Ownership, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents onto the Freddie Mac Multifamily DMS and using the “File Submission” link to notify *Multifamily Purchase*.

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document onto DMS, and
- Deliver the original to Multifamily Purchase.

d. Seller/Servicer obligation to screen existing and new Borrowers and Borrower Principals, and Non-U.S. Equity Holders (09/01/16)

Within five Business Days after the Transfer of Ownership occurs, the Servicer must electronically deliver the following certification to Freddie Mac in a letter on the Seller/Servicer’s stationery:

- “Servicer certifies that it has determined that none of [insert Borrower, new Borrower Principals, new Non-U.S. Equity Holders or new property management company, as applicable] are the target of any sanctions law administered or enforced by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), including a person or entity identified on the most current OFAC Specially Designated Nationals and Blocked Persons (SDN) List or OFAC Consolidated Sanctions List; and
- Servicer certifies that it has reviewed the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List in accordance with Section 2.24 of the Guide and that none of the [insert Borrower, new Borrower Principals or new property management company, as applicable] are identified on the FHFA SCP List, subject to any conditions or exclusions set forth in any applicable FHFA SCP final suspension order published on FHFA’s SCP website.”

See Sections 41SBL.3(c) and 41SBL.6(g) for requirements for submitting this certificate with the required documentation for a Transfer of Ownership.

The Servicer must also conduct the Exclusionary List review as provided in Section 2.18.

41SBL.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)

Loan Documents have varying provisions regarding Transfers of Ownership. The Servicer and Single Counsel must carefully review the applicable Loan Documents to determine what, if any, Transfers of Ownership are permitted and what the conditions are for reviewing those Transfers of Ownership.

**a. Mortgages that permit transfers without the consent of the Lender (04/18/24)**

Certain Loan Documents permit Transfers of Ownership interests in the Borrower without consent of the lender, and without specific pre-authorization provisions.

The Servicer must take the following actions:

1. Enter the permitted transfer into the Consent Request Tracker within five Business days after learning of it, and must, at that time, include the name of the transferee, the date of the Transfer of Ownership, and the terms of the transfer, if known. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver supporting documentation such as an organizational chart and organizational documents to Freddie Mac.
3. Ensure that all insurance policies reflect the new ownership.

A confirmation email will be sent by Freddie Mac if Freddie Mac concurs that the transfer is permitted under the terms of the Loan Documents.

For Transfers of Ownership permitted by SBL Mortgages described in this section, the application and approval provisions of this chapter do not apply, and neither Freddie Mac nor the Servicer will impose a review/processing fee or transfer fee (other than as set forth in the Loan Documents).

b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)

Some Loan Documents contain provisions that pre-authorize certain Transfers of Ownership that have been underwritten at the time of the origination or prior assumption of the Mortgage. See Section 41SBL.3 for the procedures for approval and documentation of a conditionally permitted Transfer of Ownership.

c. Reserved (06/29/18)**d. Mortgages that prohibit transfers without the consent of the Lender (06/29/18)**

If the Loan Documents contain a provision that states that the lender may or will permit an otherwise prohibited Transfer of Ownership if the proposed transferee meets certain standards as to credit, management ability or other matters, the Property (and interests in a Borrower entity that are covered by the transfer language) may be transferred, but only subject to the provisions of Sections 41SBL.4 through 41SBL.8.

41SBL.3 Conditionally Permitted Transfers of Ownership (04/18/2406/13/24)**a. Notice to Freddie Mac (04/18/24)**

Within two Business Days after receiving notice of a conditionally permitted Transfer of Ownership – whether that notice is received prior or subsequent to that Transfer of



Ownership – the Servicer must enter the applicable information into the Consent Request Tracker.

1. If the Servicer receives notice of a conditionally permitted Transfer of Ownership after the Transfer of Ownership is completed, the Servicer must:
 - Confirm that the Transfer of Ownership is conditionally permitted under the terms of the Loan Documents and
 - Deliver any documentation required by the terms of the provisions in the Loan Documents and remit any applicable fees to Freddie Mac as described in 41SBL.3(b) - (e).
2. If the Servicer receives notice of a conditionally permitted Transfer of Ownership prior to the date of the transfer, then promptly following the Servicer's receipt of notice from the Borrower, the Servicer must electronically deliver to Freddie Mac each of the following:
 - Copies of any documentation required by the terms of the pre-authorization provisions in the Loan Documents
 - Confirmation from Single Counsel that the transfer is conditionally permitted under the terms of the Loan Documents
 - Servicer's written certification that the Transfer of Ownership meets all the requirements for a conditionally permitted Transfer of Ownership under the terms of the Loan Documents

If Freddie Mac concurs that the transfer is conditionally permitted under the terms of the Loan Documents, Freddie Mac will issue an Acknowledgment of Conditionally Permitted Transfer. The Servicer must then deliver the documentation and remit the applicable fees as described in 41SBL.3(b) - (e).

b. Delivery of documents requiring Freddie Mac signature (06/29/18)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least three Business Days prior to the date of the conditionally permitted Transfer of Ownership.

c. Transfer documentation – electronic delivery (04/18/2406/13/24)

Not later than five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must electronically deliver the following documents if required by the Loan Documents and/or the Freddie Mac Acknowledgment of Conditionally Permitted Transfer:

1. Servicer's certification(s) regarding Borrower and organizational documents, if applicable
2. Servicer's OFAC/FHFA SCP certificate as required by 41SBL.1(d)



3. Reserved
4. An executed ~~Form 1115SBL—SBL, Borrower Certificate, and Form 1115SBL—SBL, Key Borrower Principal Certificate~~ [Form 1115, Borrower and Key Borrower Principal Certificate](#), as detailed in Section 55SBL.2, for each transferee and new Key Borrower Principal, as applicable
5. Preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7, if not previously provided to Freddie Mac
6. If applicable, a certified copy of any recorded documents such as a Memorandum of Loan Assumption Agreement or a UCC Financing Statement
7. Transfer of Interest Reaffirmation Agreement; if the Reaffirmation Agreement, if applicable
8. Guaranty Assumption and Loan Modification Agreement, if applicable
9. Assignment of Management Agreement, if applicable
10. Freddie Mac Acknowledgement of Conditionally Permitted Transfer, acknowledged by the Servicer (if required by the Acknowledgement), if not previously uploaded to DMS
11. Opinions, if applicable
12. Any other documents required by the terms of the Loan Documents or the Freddie Mac Acknowledgement of Conditionally Permitted Transfer

d. Post-transfer documentation – delivery of originals (04/18/24)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must deliver to Freddie Mac originals of any amendment to any Note, Guaranty or any other Loan Document for which delivery of an original is required under the Final Delivery Package Table of Contents - SBL.

e. Remittance of fees (06/29/18)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must remit by wire transfer any fees required pursuant to the terms of the pre-authorization provisions of the Loan Documents, in accordance with the requirements of Section 41SBL.9.

41SBL.4 Transfer of Ownership requiring Freddie Mac consent (04/18/2406/13/24)

a. Conditions for Freddie Mac consent (04/18/24)

For all Transfers of Ownership requiring Freddie Mac consent, including (i) transfers of all or any portion of the Property, (ii) transfers of a direct or indirect controlling interest in Borrower, and (iii) transfers of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, the Servicer must provide to Freddie Mac an analysis of and, if applicable, recommendation with respect to, each of the following requirements:



1. The Borrower has submitted to the Servicer all information required by the Servicer to make the determination required by this Section along with the applicable nonrefundable Transfer of Ownership processing fee
2. The transferee meets Freddie Mac's eligibility, credit, management and other standards (including any standards with respect to previous relationships between Freddie Mac and the transferee), including having no unmitigated adverse findings from the public record searches required by Section 18SBL.30
3. The transferee's organization, credit and experience in the management of similar properties is appropriate to the overall structure and documentation of the Loan, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
4. The Property will be managed by (or will continue to be managed by) a Property manager meeting the requirements of the Loan Agreement
5. The Property, at the time of the proposed Transfer of Ownership, meets all of Freddie Mac's standards as to its physical condition, occupancy, net operating income, and the accumulation of reserves
6. In the case of a Transfer of Ownership of all or any part of the Property, each of the following conditions is satisfied:
 - The transferee meets the requirements of Section 6.13 of the Loan Agreement.
 - The transferee executes Freddie Mac's then-standard assumption agreement for SBL Mortgages that, among other things, requires the transferee to perform all obligations of the Borrower set forth in the Loan Documents, and may require that the transferee comply with any provisions of the Loan Agreement or any other Loan Document which previously may have been waived or modified by the lender.
 - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.
 - The transferee executes such additional documentation as Freddie Mac may require.
7. In the case of a Transfer of Ownership of a direct or indirect controlling interest in Borrower, each of the following conditions is satisfied:
 - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.



- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then the requirements of Section 41SBL.4(b) will apply.
 - The transferee and Borrower execute such additional documentation as Freddie Mac may require.
8. In the case of a Transfer of Ownership of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, each of the following conditions is satisfied:
- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then (i) the Borrower causes one or more persons or entities acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac and (ii) the requirements of Section 41SBL.4(b) will apply.
9. Freddie Mac receives any such legal opinions that Freddie Mac deems necessary, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
10. The Servicer collects all costs, including the cost of all title searches, title insurance and recording costs, and all attorneys' fees and costs incurred in reviewing the Transfer of Ownership request
11. At the time of the Transfer, the Borrower pays a Transfer of Ownership Fee equal to one percent of the outstanding principal balance of the indebtedness as of the date of the Transfer of Ownership, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*

b. Continuing liability of the Borrower and Guarantor (06/29/17)

If the Borrower and Guarantor request a release of their respective liabilities under the Loan Documents in connection with a Transfer of Ownership of all of the Borrower's interest in the Property, and Freddie Mac approves the Transfer of Ownership pursuant to Section 41SBL.6, then one of the following will apply:

1. If the Form 1104, SBL Physical Risk Report, meeting the requirements of Section 62SBL.3 submitted by the Servicer in connection with the Transfer of Ownership (A) is dated within 90 days prior to the date of the proposed Transfer of Ownership, and (B) evidences no presence of environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will do each of the following:
 - (i) Release the Borrower from all its obligations under the Loan Documents except for liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) with respect to any loss, liability, damage, claim, cost or expense which directly or indirectly arises from or relates to any Prohibited Activities or Conditions existing prior to the date of the Transfer of Ownership.



- (ii) Release the Guarantor from all the Guarantor's obligations under the Loan Documents except for the Guarantor's obligation to guaranty the Borrower's liability described in Section 41SBL.4(b)(1)(B)(i) above.

2. If the Form 1104, SBL Physical Risk Report, prepared in connection with the Transfer of Ownership request identifies any environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will release the Borrower and the Guarantor from all of their respective obligations under the Loan Documents except for the Borrower's liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) and the Guarantor's obligation to guaranty the Borrower's liability.

c. Required Servicer disclosure (08/26/21)

If an Equity Conflict of Interest exists as defined in Section 2.25, then the Servicer must provide to *Multifamily Asset Management, Borrower Transactions* a written statement that discloses the nature and extent of that Equity Conflict of Interest within three Business Days after receiving the Borrower's request for approval of the Transfer of Ownership.

d. Application for approval; information required (12/14/23 06/13/24)

Within two Business Days after receiving a request for a Transfer of Ownership, the Servicer must enter the applicable information into the Consent Request Tracker.

The Servicer must electronically submit a complete review package and the Servicer's recommendation, including the applicable information required pursuant to Sections 41SBL.4(d) and (e) to Freddie Mac at least 15 days prior to the proposed date of the Transfer of Ownership. The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local laws or regulations.

Promptly following receipt of the Borrower's notification of the pending Transfer of Ownership, the Servicer must collect the following information from the Borrower and proposed new Key Borrower Principals, as applicable, following up with the Borrower as necessary to ensure timely receipt of required materials. *Items 3, 4, 6, 7, and 9 through 14 are not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A nonrefundable review/processing fee in accordance with Section 41SBL.9
2. A completed Transfer of Ownership/Assumption Request, available via FreddieMac.com, including
 - The Servicer's thorough analysis of the risks, strengths, and weaknesses associated with the proposed Transfer
 - The Servicer's justification and support for its recommendations with respect to any requests for waivers or document modifications
 - The Servicer's recommendations regarding the need for adjustment to any Impositions or Reserves



- The Servicer’s explanation of the terms of any seller take-back financing or other Subordinate Financing
 - The Servicer’s explanation of any unusual proposed transferee structure or structure of a transaction done for tax purposes
 - Information regarding any deadline for a real estate exchange done pursuant to Internal Revenue Code Section 1031 (Note: Reverse 1031 exchanges are not permissible)
3. A copy of the executed contract of sale or other transfer agreement, letter of intent, or other indication of the Borrower’s intent to transfer an ownership interest in the Property or in the Borrower, together with a Purchase Agreement Analysis form (as described in Section 55SBL.2).
 4. Current financial statements of the proposed transferee and the proposed new Key Borrower Principals, as described in Section 55SBL.2
 5. An executed ~~Form 1115SBL – SBL, Key Borrower Principal Certificate~~ [Form 1115, Borrower and Key Borrower Principal Certificate](#), for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
 6. An executed Form 1116, Real Estate Schedule, for each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
 7. Information concerning the managerial experience of the proposed transferee (if not otherwise fully reflected on ~~Form 1115-SBL~~ [Form 1115](#)) and the proposed paid professional manager, if applicable, as detailed in the mortgage transaction narrative analysis description in Section 55SBL.2
 8. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Certified Organizational Chart must include the elements set forth in the Guidance – Organizational Charts.
 - Each entity’s name, State of formation, and type (e.g., Delaware limited liability company)
 - Each party’s ownership percentage
 - Each party’s role (e.g., Principal, Guarantor, manager, general partner, etc.)
 9. Current financial statements for the Property including a trailing 12-month statement, each certified by the Borrower in the manner described in Section 55SBL.2, together with the Servicer’s analysis of those statements. If the two most recent certified calendar year financial statements have been submitted to Freddie Mac via the Property Reporting System (PRS), the Servicer may make a statement to that effect on the Transfer of Ownership/Assumption Request and need not attach the calendar year statements unless requested to do so by Freddie Mac
 10. A Form 1104, SBL Physical Risk Report, prepared by a physical risk consultant in compliance with Chapter 62SBL if any of the following apply:



- The Property was built more than 15 years previously
- The most recent Annual Inspection Form (AIF) noted significant Deferred Maintenance
- The buyer proposes significant capital improvements
- The Borrower and Guarantor are requesting a release from environmental liability pursuant to Section 41SBL.4(b)

11. If a Form 1104, SBL Physical Risk Report, is not required pursuant to Section 41SBL.4(a)(10), and if the most recent AIF is dated more than 12 months prior to submission of the transfer request, then the Servicer must conduct a physical inspection of the Property and deliver an updated AIF to Freddie Mac
12. Copies of all current property reports obtained in connection with the Transfer (e.g., Appraisal, the Level 1 Seismic Risk Assessment (SRA), the Form 1104, SBL Physical Risk Report, etc.)
13. A current credit report for any proposed new Borrower or Guarantor that is an individual, as detailed in Section 55SBL.2
14. A preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7
15. Written certification of the Servicer that there is no uncured event of default or any event, act, or condition that, but for the giving of notice or the passage of time, would constitute an event of default unless such Transfer of Ownership would cure the event of default
16. For a Transfer of Ownership that does not involve a transfer of title to the Property, a Certified Organizational Chart (including Form 1114, Certification – Organizational Chart) for the Borrower as constituted prior to the proposed Transfer of Ownership
17. Any other information which Freddie Mac may request in connection with its review of the proposed Transfer

e. Additional information required for Transfers of Ownership of interest in the Property (09/28/18)

If title to the Property will change as a result of the Transfer of Ownership, the Servicer must provide the following additional information to Freddie Mac:

1. Organizational documents of the proposed Borrower, together with Servicer's certification that it has reviewed the organizational documents and that they comply with the requirements of Section 9SBL.7
2. Certified Organizational Chart of the proposed Borrower, together with the Form 1114, Certification — Organizational Chart
3. Title update report dated no earlier than 30 days before the date of the Transfer



4. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
5. The proposed new Borrower's first year budget for the Property
6. Evidence of insurance, as described in Section 31.19(b)

f. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)

The Servicer must deliver each of the following to Freddie Mac at least five Business Days prior to the date of the proposed Transfer of Ownership, *except that item 1 is not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A draft property management agreement in essentially final form
2. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Organizational Chart must include the elements set forth in the Organizational Chart Interactive Guidance at <https://mf.freddie.com/lenders/asset/> under Asset Management References.

41SBL.5 Prohibited Transfer of Ownership requiring Freddie Mac consent -- review of the application (06/29/18)

Freddie Mac will evaluate the application and the Servicer's recommendation in accordance with Freddie Mac's credit policies and the terms of the Loan Documents. Factors to be considered may include the following:

- The net income of the Property before debt service and depreciation
- The Debt Coverage Ratio (DCR) and the Loan to Value Ratio (LTV)
- The Property condition
- The proposed transferee's equity in the Property
- The proposed transferee's previous management experience and its ability to maintain or increase the net income of the Property
- The proposed transferee's and proposed Guarantor's financial statements and credit history (evidence that each has the ability to repay the Mortgage and evidence that each has repaid or is repaying other loans according to their respective terms)
- The terms and conditions of any Subordinate Financing



41SBL.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/18/24)

a. Approval (06/30/16)

If Freddie Mac approves the application for the Transfer of Ownership, Freddie Mac will issue an approval letter containing the terms and conditions of its approval.

b. Preparation and review of the documents by counsel (06/30/16)

Chapter 6SBL sets forth the responsibilities of the Servicer and Single Counsel in connection with a Transfer of Ownership.

The Servicer must obtain the necessary legal documentation to ensure that the existing obligations under the Mortgage remain in full force and effect and that the parties to the Loan Documents continue to be bound by all the terms and provisions of the Mortgage to the extent required by Freddie Mac's approval. Single Counsel must prepare and review the necessary documents in accordance with Section 6SBL.11 or 6SBL.14, as applicable.

c. Freddie Mac's review of draft documents (06/30/16)

If required by Freddie Mac in the approval letter for the Transfer of Ownership, then at least 10 Business Days prior to the anticipated closing date for the Transfer of Ownership, the Servicer must submit the documents to Freddie Mac via email for Freddie Mac's review and approval. Otherwise, Single Counsel will be responsible for the review and approval of all draft documents required for the Transfer of Ownership.

d. Execution of documents by Freddie Mac (04/18/24)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least five Business Days prior to the date of the Transfer of Ownership, including a statement from Single Counsel that the documents are acceptable for execution by Freddie Mac, unless the approval required that the Servicer submit the draft documents to Freddie Mac for prior review in accordance with Section 41SBL.6(c).

e. Recordation (06/30/16)

Following closing of the Transfer of Ownership, the Servicer must arrange for any recordation commonly required by private institutional mortgage investors or required by law to ensure the priority of Freddie Mac's lien. The Servicer must complete such recordation at no cost to Freddie Mac.

f. Remittance of fees (06/30/16)

Within five Business Days after the Transfer of Ownership, the Servicer must remit the following to Freddie Mac in accordance with the requirements of Freddie Mac's approval of the Transfer of Ownership and Section 41SBL.9:

- The Freddie Mac counsel fee to Freddie Mac or its outside counsel, or to Single Counsel, as applicable



- The balance of any transfer fee due to Freddie Mac

g. Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/18/24)

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

Within five Business Days after the Transfer of Ownership, the Servicer must electronically deliver each of the following documents to Freddie Mac, unless delivery of an original is specified:

1. Recorded transfer deed, if applicable, or other documentation evidencing the transfer (certified copy)
2. If an interest in the Property was transferred
 - a. Recorded Memorandum of Loan Modification and Assumption Agreement (certified copy)
 - b. Signed settlement statement (copy)
 - c. Endorsement to the existing title policy or a new title policy stating the name of the new Borrower, reflecting the recordation of the Loan Modification and Assumption Agreement SBL and evidencing that the effective date of the policy is the date of recordation of the Loan Modification and Assumption Agreement SBL and that there are no intervening liens from the date of the original title policy insuring the First Lien until the Transfer of Ownership (copy) (If the proposed new Borrower obtains a new title policy, that title policy must meet all of the requirements of Sections 29SBL.1 through 29SBL.3. Freddie Mac reserves the right to require a new title policy rather than to accept an endorsement to the original title policy.)

NOTE: For assumptions involving Property located in Texas, in lieu of a new title policy or down-date endorsement to the original title policy, it is acceptable to provide both of the following:

- A certificate from the title insurance company that issued the existing title policy, dated no earlier than the date of recordation of the Memorandum of Loan Assumption Agreement, listing all matters that affect title to the Property which have been placed of record since the effective date of such title policy.
 - A T-38 Endorsement.
- d. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender



3. Signed Guaranty, if applicable (original)
4. Signed Guaranty Assumption and Modification Agreement, if applicable (original)
5. Signed Transfer of Interest Reaffirmation Agreement, if applicable (original if Note or Guaranty is modified; otherwise, a copy)
6. Signed Loan Assumption and Modification Agreement, if applicable (original)
7. Fully-executed property management agreement (copy)
8. If the proposed transferee is an entity, filed and recorded UCC financing statements in the name of the proposed transferee in accordance with the requirements of the Final Delivery Instructions found at mf.freddiemac.com/lenders/purchase (certified copy)
9. If required by Freddie Mac, opinions of proposed transferee's/Guarantor's counsel (If the proposed transferee or any new Guarantor is a corporation, partnership, limited liability company or other legal entity, then if required, the Servicer must deliver to Freddie Mac an opinion of counsel for each such entity. The opinion of counsel must be addressed to Freddie Mac and must contain the provisions and opinions set forth in the Form of Opinion Letters available at mf.freddiemac.com/lenders/legal, as applicable.) (copy)

NOTE: The counsel rendering the opinions must be acceptable to Freddie Mac, or to the Servicer if the Servicer is authorized to approve the opinion. The Freddie Mac Approval may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require the Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.

10. UCC along with indications of where filed (certified copy)
11. Servicer's OFAC/SCP certificate as required by 41SBL.1(d) (copy)
12. Any other documents required by the Freddie Mac approval letter

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

h. Servicer's responsibilities following the Transfer of Ownership (06/30/16)

Following the closing of the Transfer of Ownership, the Servicer must:

- Deliver to all parties concerned a copy of all documents listed in Section 41SBL.6(g)
- Retain copies in the Mortgage File of the documents listed in Section 41SBL.6(g)
- Provide all notices and disclosures required under applicable law or regulation



- Ensure all data fields in the CRT that are Servicer's responsibility to populate are completed
- Ensure that all insurance policies reflect the Transfer of Ownership
- Continue to service the Mortgage as required in the Purchase and Servicing Documents

i. Servicer's warranties in connection with a Transfer of Ownership (09/28/18)

When a Servicer delivers documentation for a Transfer of Ownership, the Servicer will be deemed to have made the warranties in Sections 5.2 through 5.5, 5.10 and 5.14 as of the date the documentation for a Transfer of Ownership is delivered to Freddie Mac.

41SBL.7 Prohibited Transfers of Ownership - Declination of the application for Lender consent (06/29/18)

If Freddie Mac declines the application for Transfer of Ownership, the Servicer must send written notice of the decision to the Borrower and the proposed transferee on behalf of Freddie Mac, in a manner that complies with all applicable laws and regulations and the requirements of Section 10.13.

41SBL.8 Prohibited Transfers of Ownership (04/18/24)

If the Servicer suspects a prohibited Transfer of Ownership has taken place, the Servicer must act in a timely, efficient, and responsible manner to carry out Freddie Mac's instructions and to fully protect Freddie Mac's interests as follows:

- Immediately notify Freddie Mac via email describing the circumstances of the possible prohibited Transfer of Ownership.
- Immediately contact the Borrower, the prohibited transferees or any party that may have been connected with the transfer to determine whether a prohibited Transfer of Ownership has occurred. If the Servicer confirms a prohibited Transfer of Ownership has in fact occurred, the Servicer must notify Freddie Mac via email *Multifamily Asset Management, Borrower Transactions*.

The email notification specified above should be sent to *Multifamily Asset Management, Borrower Transactions*.

a. Information to be provided to Freddie Mac (06/29/18)

The Servicer must electronically submit the following information to Freddie Mac within two Business Days after confirming that the prohibited Transfer of Ownership has occurred:

1. Information detailing the prohibited Transfer of Ownership (The letter must include the Freddie Mac loan number, the name of the Borrower, the property address, the names and addresses of all known parties connected with the prohibited Transfer of Ownership and details of the discovery of the Transfer of Ownership.)



2. A written summary of any conversations between Servicer personnel and the Borrower or any party involved with the Transfer of Ownership
3. Any evidence of the prohibited Transfer of Ownership
4. Any other information requested by Freddie Mac

b. Property inspection (06/29/18)

Freddie Mac may request that the Servicer complete a Freddie Mac Annual Inspection Form (AIF) in connection with the prohibited Transfer of Ownership. Within 60 days of a request by Freddie Mac, the Servicer must inspect the Property and submit the AIF in accordance with the submission procedures in Chapter 40. If the Servicer is unable to fully inspect the Property, the Servicer must conduct an exterior inspection and identify any Deferred Maintenance. The Servicer must also conduct a market survey, which, along with past rental and expense information, is to be used by the Servicer to complete the AIF.

c. Additional Servicer obligations (06/29/18)

If the Servicer discovers any additional defaults during the investigation of the prohibited Transfer of Ownership, the Servicer must immediately notify Freddie Mac via email.

41SBL.9 Fees (04/30/19)

a. Review/processing fee (12/14/18)

For loans allowing Transfers of Ownership subject to lender consent, (whether conditionally permitted or prohibited), the Servicer must charge the Borrower a nonrefundable review/processing fee in the amount specified in the Loan Agreement.

The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac by wire transfer with the application for the Transfer of Ownership. The review/processing fee is in addition to the transfer fee and will not be applied to reduce the transfer fee. The Servicer may not charge the Borrower any additional fees for processing a Transfer of Ownership unless required by Freddie Mac.

b. Counsel fee (06/30/16)

At closing of the Transfer of Ownership, the Servicer must collect the counsel fee for Single Counsel, and if specified in the approval letter, the Servicer must collect a nonrefundable counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, which may be either outside or in-house counsel. When Freddie Mac approves the Transfer of Ownership, Freddie Mac will issue a letter setting forth the amount of the counsel fee other than the Single Counsel fee.

The Servicer may also require the Borrower to pay the Servicer's additional legal expenses and costs (for example, costs for searches, filings and title endorsements) relating to the Transfer of Ownership.



c. Transfer fee (12/14/18)

For all approved Transfers of Ownership, Freddie Mac charges a nonrefundable transfer fee in the amount set forth in the Loan Agreement.

For Loan Agreements with a revision date of 11-21-17 or earlier, Transfers of Ownership requested pursuant to Section 7.05 of the Loan Agreement that will result in a change of Control (as defined in the Loan Agreement), except for transfers of greater than 50% of non-managing member or limited partner interests, must be characterized as a Transfer of the “Mortgaged Property.”

NOTE: If the Transfer of Ownership involves a transfer of interests in the Borrower that does not result in a change in control of the Borrower, and if the Transfer of Ownership will not result in the addition of any new Borrower Principal(s), Freddie Mac may consider reducing or waiving the transfer fee upon written request from the Servicer.

d. Remittance of fees (04/30/19)

The Servicer must obtain wire transfer instructions from *Multifamily Asset Management, Borrower Transactions*.

The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:53:35 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 41SBL - SBL Transfers of Ownership GB-04-18-24.docx	
Modified filename: 41SBL - SBL Transfers of Ownership GB-06-13-24.docx	
Changes:	
Add	13
Delete	15
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	28

Multifamily Seller/Service Guide

Chapter 55

Documentation and Deliveries



55.1 Use of Chapter 55 (12/14/23)

- a. Preparing an underwriting package (12/14/23)
- b. Resubmission of an underwriting package (05/11/10)
- c. Preparing documentation required for a Transfer of Ownership (06/29/17)
- d. Notification requirements regarding updates to the underwriting package (02/16/23)
- e. Ability to request additional information (04/13/23)

55.2 ~~Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (04/18/24)~~[Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership \(06/13/24\)](#)

55.3 Requirements for documents contained in the prescreen package (04/13/23)



55.1 Use of Chapter 55 (12/14/23)

Chapter 55 is to be used in the preparation of an underwriting package for cash and bond credit enhancement Mortgages, and in the preparation of documentation to be submitted to Freddie Mac in connection with a Transfer of Ownership, as indicated in Chapter 41.

a. Preparing an underwriting package (12/14/23)

1. Due Diligence – Chain of Custody.

- A. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting package as set forth in this chapter (other than Freddie Mac required third-party reports), must be delivered directly to the Seller/Servicer by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with this chain of custody requirement.

2. Documentation Delivery. At the Seller's expense, the Seller must deliver the documents to Freddie Mac and remit any required fees to Freddie Mac by wire transfer, subject to Freddie Mac's approval.

- A. The Seller must obtain wire transfer instructions from
 - *Multifamily TAH Production* or the *Multifamily TAH Underwriter*, for TAH Seller/Servicers, or
 - The *Applicable Freddie Mac Multifamily Regional Office*, for all other Seller/Servicers.
- B. The Seller must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.
- C. With respect to each delivery
 - The Seller must deliver the documents simultaneously.
 - The Seller may not make any changes to forms prescribed by Freddie Mac without prior written authorization from Freddie Mac.

If the delivery is incomplete, if the documents have not been properly prepared, or if the documents do not, or the delivery does not, otherwise conform to Freddie Mac requirements, Freddie Mac cannot process the package.



b. Resubmission of an underwriting package (05/11/10)

The Seller may not resubmit an application package for a Mortgage for at least six months after the date of

- Freddie Mac's notice of rejection, if Freddie Mac declined to issue a Letter of Commitment for the Mortgage or failed to accept an early rate-lock application following review of the full application package, or
- Freddie Mac's Letter of Commitment, if the Seller failed to accept the Letter of Commitment within the time period specified, or
- Freddie Mac's acceptance of the early rate-lock application, if the Seller failed to sign and return Exhibit A of the early rate-lock application within the time required.

c. Preparing documentation required for a Transfer of Ownership (06/29/17)

Instructions for the preparation of documentation for a Transfer of Ownership can be found in Chapter 41.

d. Notification requirements regarding updates to the underwriting package (02/16/23)

The Seller/Servicer must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock or issuance of an Acceptance Letter for an early rate lock application. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

e. Ability to request additional information (04/13/23)

Notwithstanding the documentation requirements in Section 55.2 and Section 55.3, Freddie Mac reserves the right to request any document identified in Section 55.2 and Section 55.3 from any Borrower Principal.

55.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (04/18/24)

a b c d e f g h i j k l m n o p q r s t u v w x y z

Document	Requirements
501(c)(3) Due Diligence Checklist	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide Freddie Mac with a 501(c)(3) Due Diligence Checklist if the bonds for which Freddie Mac is providing the bond credit enhancement are 501(c)(3) bonds.



Document	Requirements
<p>Access easement and Essential Facilities and/or Recreational Facilities easement documentation</p>	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"> • If the Property shares primary ingress and/or egress with adjacent or neighboring properties (including another phase of a phased development) via an easement or private road, documentation in accordance with Sections 8.6 and 8.8, as well as a (i) preliminary legal issues memorandum (PLIM) that either (x) confirms the access complies with the requirements set forth in Section 8.8, or (z) a legal analysis of what requirements are not satisfied and the Seller’s counsel’s recommendations for acceptability, (ii) a copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable, and (iii) an opinion from a land use attorney if applicable, or • If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the owner, documentation in accordance with Sections 8.6 and 8.9, a PLIM that either (i) confirms the Borrower’s access to and use of the Essential Facilities and/or Recreational Facilities and amenities comply with the requirements set forth in Section 8.9; or (ii) a legal analysis of what requirements are not satisfied and the Seller’s counsel’s recommendations for acceptability. • See also “confirmation of or a request for approval of shared facilities or access.”
<p>Aged Receivables Report</p>	<p>The Seller must review and submit to Freddie Mac a report, if applicable, which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report must accompany all operating statements prepared on an accrual basis. The report should be dated as of the ending T-12 period for the current property financial statement submitted and must be certified by the Borrower via the Blanket Certification as complete and accurate.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p>See the Blanket Certification referenced below for instructions on preparing the certification of the Aged Receivables Report. The document(s) must be certified using the Borrower and Key Borrower Principal Blanket Certification, Form 1112.</p>



Document	Requirements
<p>Application fee (for Bond Credit Enhancement Mortgages)</p>	<p>For Bond Credit Enhancement Mortgages, the Seller must remit the applicable application fee by wire transfer. The Seller must obtain wire transfer instructions from <i>Multifamily TAH Production</i> or the <i>Multifamily TAH Underwriter</i>, for TAH Seller/Servicecs.</p> <p>The Seller must send the wire transfer to the attention of <i>Multifamily Cash Management</i>. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The application fee amount is found in the Commitment.</p>
<p>Appraisal</p>	<p>The Seller must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the Additional Appraisal Requirements Memorandum. The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.</p> <p><u>Seniors Housing Mortgages</u> For a Seniors Housing Mortgage, the Appraisal must meet the requirements of Chapter 60 and Section 21.16.</p> <p><u>Forward Commitments</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.30 for requirements specific to Forward Commitments.</p> <p><u>Mod Rehab</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Mod Rehab Mortgages.</p> <p><u>Preservation Rehabilitation</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Preservation Rehabilitation Mortgages.</p> <p><u>Mortgage with Green Up® or Green Up Plus® loan option</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.29 for requirements specific to Mortgages with the Green Up or Green Up Plus loan option.</p>
<p>Blanket Certification for property financial</p>	<p>The property financial statements, Aged Receivable Report(s) (if applicable), and the rent rolls must be certified through a Blanket</p>



Document	Requirements
<p>statements and rent rolls</p>	<p>Certification, which must bear the following statement, executed by an individual who is authorized to legally bind the Borrower:</p> <p>I hereby certify that the property financial statements and rent rolls are complete and accurate representations of the operating history of the [Property name] as of the date of the statements, and I am duly authorized to bind the Borrower to this certification.”</p> <p>Historical financial statement due dates: _____</p> <p>Current financial statement due dates: _____</p> <p>Borrower’s budget financial statement dates: _____</p> <p>Aged Receivables Report dates: _____</p> <p>Rent roll dates: _____</p> <p>Borrower: _____</p> <p>[Signature] _____</p> <p>[Printed Name and Title of Signatory]</p> <p>The Blanket Certification is not required until due diligence is complete but it must be submitted prior to rate-lock.</p>
<p>Bond distribution list</p>	<p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide Freddie Mac <i>Multifamily TAH Production</i> and the <i>Multifamily TAH Underwriter</i> with a list of participants in the bond transaction, including their telephone numbers and e-mail addresses.</p>
<p><u>Borrower and Key Borrower Principal Blanket Certification, Form 1112</u></p>	<p><u>Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation:</u></p> <ul style="list-style-type: none"> • <u>Property Financial Statements (Historical and Budgeted)</u> • <u>Rent Roll</u> • <u>Real Estate Schedule</u>



Document	Requirements
	<ul style="list-style-type: none"> • Financial Statement • Other documentation, as applicable (i.e., Aged Receivable Report, Seniors Housing agreements and contracts, Seniors Housing list of FF&E and motor vehicles, liquidity verification documentation, etc.) <p>Form 1112 must be completely populated, including an indicator for the document(s) being certified as well as the applicable date(s) of the document(s).</p> <p>The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.</p>
<p>Borrower Certificate and Key Borrower Principal Certificate, Form(s) 1115</p>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with the Form 1115, Borrower Certificate, and Form 1115, Key Borrower Principal Certificate, as applicable Form 1115, Borrower and Key Borrower Principal Certificate, executed by each Borrower or Key Borrower Principal.</p> <p>Form(s) 1115 Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals:</p> <ol style="list-style-type: none"> 1. Past mortgage payment and default experience 2. History of criminal, administrative, and/or litigation proceedings <p>Form(s) 1115 Form 1115 must not be dated more than 60 days prior to the date of submission of the applicable underwriting package.</p> <p>For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form(s) 1115 Form 1115. The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1115, Key Borrower Principal Certificate, Form 1115 unless specifically requested by Freddie Mac.</p>



Document	Requirements
Borrower’s budgeted property financial statements	See “property financial statements.”
Breakdown of construction costs	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see “capital improvement documentation.”</p> <p>The document(s) must be certified using Borrower and Key Borrower Principal Blanket Certification, Form 1112.</p>
Building code violation documentation	<p>The Seller must provide building code violation documentation in one of two ways:</p> <ul style="list-style-type: none"> • In the form of a letter or other documentation from the local building code enforcement office which must verify that: <ul style="list-style-type: none"> ○ Any prior building code violations have been corrected ○ The Property is currently in compliance with all applicable building codes • Verification of the above as part of the zoning report or Form 1108, Physical Risk Report, for a Mortgage that meets all of the following conditions: <ul style="list-style-type: none"> ○ The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate ○ The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage <p>If the local building code enforcement office will not provide such a letter, Freddie Mac will accept a certified verification from the Borrower.</p>



Document	Requirements
<p>Calculation of prepayment premium</p>	<p>For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.</p>
<p>Capital improvement documentation</p>	<p>The <u>When required by Freddie Mac, the</u> Seller must submit:</p> <ul style="list-style-type: none"> • For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction. • For any major past renovations, a summary of these renovations and documentation concerning the costs. • For a Mortgage whose original principal balance is greater than \$100 million without any construction or major renovation planned for the Property, a statement that no construction or major renovation is planned during the term of the Mortgage. <p>• <u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p>
<p>Certification — Organizational Chart, Form 1114</p>	<p>A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new Form 1114, Certification — Organizational Chart.</p>
<p>Certificate of Good Standing from the Construction Lender</p>	<p>A letter or other documentation certifying that the Borrower is in good standing under the terms of the Construction Loan.</p>
<p>Certification Regarding Payment of Fees and Expenses of Freddie Mac’s Outside Counsel</p>	<p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a copy of the Certification Regarding Payment of Fees and Expenses of Freddie Mac’s Outside Legal Counsel, available via FreddieMac.com, in accordance with Section 28.8(d).</p>
<p>Certified cost accounting</p>	<p>The Seller must provide to Freddie Mac a certified cost accounting of total project costs, including hard and soft costs.</p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p>
<p>Certified Organizational Chart</p>	<p>An Organizational Chart that is certified using <i>Certification – Organizational Chart</i>, Form 1114.</p>



Document	Requirements
<p>Commercial lease documentation</p>	<p>The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.</p> <p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the residential and commercial lease portions of the Property’s income.</p> <p>If income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac in connection with a certain commercial lease, the Seller must provide a completed Commercial Lease Analysis for such lease. The Commercial Lease Analysis form is available at mf.freddiemac.com.</p> <p>See Section 8.11 for requirements regarding commercial lease SNDAs, subordinations, and estoppels; see Section 8.2(b) for commercial use requirements.</p>
<p>Complete Borrower/Key Borrower Principal Due Diligence Package</p>	<p>A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115, Borrower Certificate, and Form 1115, Key Borrower Principal Certificate, as applicable Form 1115, Borrower and Key Borrower Principal Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals and; a credit report for Borrowers and Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and liquidity verification documentation, if applicable. It is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Complete Borrower/Key Borrower Principal Due Diligence Packages unless specifically requested by Freddie Mac.</p>
<p>Condominium Analysis</p>	<p>If the Property is subject to a condominium regime, the Seller must submit the following information to Freddie Mac:</p> <ul style="list-style-type: none"> • The total number of units subject to the Condominium regime • The number of Condominium Units the Borrower owns • The percentage of Borrower’s undivided interest in the common elements of the Condominium



Document	Requirements
	<ul style="list-style-type: none"> • If the Borrower does not own 100 percent of the real property that is subject to the Condominium regime, whether the Property is <ul style="list-style-type: none"> ○ A “Partial Condo”, where the Property consists of all of the residential units in the Condominium but there are commercial, office, parking or other Condominium Units that will not be part of the collateral for the Mortgage ○ A “Fractured Condo”, where the Property does not consist of all of the residential units in the Condominium and some of the residential Condominium Units have been sold to third party purchasers • The number of members that comprise the board of directors of the Condominium association (“Condominium Association”) and the number of members of the board of directors of the Condominium Association that the Borrower controls <p>This information may be included in the Mortgage Transaction Narrative Analysis.</p>
<p>Confirmation of compliance or a request for approval of shared facilities or access</p>	<p>If any on-site or off-site facilities or access are shared, the Seller must submit in a preliminary legal issues memorandum (PLIM) either (i) a confirmation that any such sharing arrangement meets the requirements of Sections 8.6, 8.8 and 8.9, or (ii) a request for Freddie Mac approval of the requirements set forth in Section 8.8 or 8.9 that are not satisfied, including the Seller's counsel's recommendations for acceptability.</p>
<p>Construction completion documents</p>	<p>The Seller must include the following documents in the Forward Commitment underwriting package for Conversion:</p> <ul style="list-style-type: none"> • Post-construction analysis report <ul style="list-style-type: none"> ○ Architect's certificate of substantial completion ○ Final punch list from the architect of record ○ Final payment certification ○ Final lien waiver from the general contractor ○ Release of payment and performance bonds



Document	Requirements
	<ul style="list-style-type: none"> ○ Release of bonds required by any governmental authority ○ Final certificate(s) of occupancy ○ Reserve analysis, if not completed previously or if revisions to the previously completed analysis are recommended ○ A summary of all change orders and an analysis of all material changes, as defined in Section 63.4(c) ● A summary analysis, prepared by the Seller/Servicer’s Chief Architect/Engineer, indicating that the finished project has been completed, lien-free and in accordance with all other applicable requirements, substantially in accordance with the plans and specifications reviewed at the issuance of the Forward Commitment ● Environmental assessment report ● A certified cost accounting of total project costs, including hard and soft costs <p>See Section 63.5 for additional information.</p>
<p>Construction documentation for Forward Commitments</p>	<p>For a review by Freddie Mac, the Seller must provide:</p> <ul style="list-style-type: none"> ● The final pre-construction analysis report described in Section 63.3(a) ● A narrative summary, prepared by the Seller’s Chief Architect/Engineer, with the following content: <ul style="list-style-type: none"> ○ Property and site description, including <ul style="list-style-type: none"> ● Adequacy of budget and schedule ● Environmental issues/resolution ● Seismic issues/resolution ● Other outstanding issues/resolution



Document	Requirements
	<ul style="list-style-type: none"> • If a substantial rehabilitation of the Mortgaged Property, statements regarding the adequacy of the scope to address any deficiencies identified in the property condition report and Phase I Report ○ A summary analysis of the development team’s qualifications, including the capability of the architect, contractor and developer to execute the plan <p>See Section 19A.1(c), 25A.1(e), or 28A.1(e) for construction documentation that must be delivered via the Document Management System (DMS) after the date of the Forward Commitment for Forward Commitments.</p>
Cooperative analysis	<p>If the Property is owned by a cooperative housing corporation, the Seller must submit to Freddie Mac a cooperative analysis that includes</p> <ol style="list-style-type: none"> 1. The following information as it pertains to the sellout of the cooperative: <ul style="list-style-type: none"> • Date property converted to cooperative • Percentage of units sold to owner-occupants (including sublets) • Percentage of units sold to owner-occupants that are sublet • Percentage of units sold to non-sponsor owned investors • Percentage of units held by sponsor or sponsor-related entities 2. Current financial statements for any one owner that holds 20 percent or more of the Cooperative's shares. If an owner of 20 percent or more is a corporation, partnership or other legal entity, the Seller must deliver financial statements for each officer, general partner or trust beneficiary, including sponsors and beneficiaries that hold unsold shares. All such financial statements must be certified or audited. 3. Maintenance fee delinquency report for the previous 12 months showing the number of units delinquent for each month and the corresponding dollar value



Document	Requirements
	<ol style="list-style-type: none"> 4. Analysis of the sponsor's current cash flow from unsold units (rent roll detailing rent, maintenance for each unit, and debt service, if applicable) 5. Analysis of the sponsor's ability to support negative cash flow from unsold units, if applicable 6. Analysis of pro forma Income and Expense Statements showing the economic results if the Property was operated as a rental and as a cooperative 7. Analysis of the estimated value of the Property as a cooperative (co-op) and as a rental project 8. Information on unit sales over the last 12 months including date of sale, unit number, unit type and sale price. If sales over the last 12 months do not include all unit types, provide information on earlier sales so that all unit types are represented 9. Analysis of maintenance costs compared to market rents for each unit type
Credit reports	<p>The Seller must provide to Freddie Mac a current credit report on each Borrower and each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must:</p> <ol style="list-style-type: none"> 1. Be reviewed by the Seller 2. Be issued by an independent credit reporting agency acceptable to Freddie Mac 3. Be dated within 60 days before delivery to Freddie Mac 4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings 5. List any other debts 6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records
Current property financial statements	See "property financial statements."



Document	Requirements
Delegated property inspection letter	See “property inspection documentation.”
Document analysis by Seller’s counsel	The Seller must provide an analysis by Seller’s counsel of certain legal documents affecting the Property, as described in Section 6.7.
Effective annual rental rate	For a Mortgage whose original principal balance is greater than \$100 million, the Seller must provide the effective annual rental rate per unit, as determined by gross potential rent less concessions, for each of the most recent three years, or for each year since the completion of construction, whichever is less.
Environmental report and alternatives	<p>The Seller must provide to Freddie Mac an environmental report meeting the requirements of Chapter 61.</p> <p><u>Supplemental Mortgages</u> An environmental report is required under this product when</p> <ul style="list-style-type: none"> • The proposed Mortgage is a split Mortgage, or • An acceptable environmental report was not completed upon origination of the first Mortgage, or • An environmental issue was identified subsequent to the origination of the first Mortgage, or • Freddie Mac, in its sole discretion, determines that an environmental report is needed. <p><u>For each Supplemental Mortgage for which Freddie Mac does not require an environmental report, the Seller must</u></p> <ul style="list-style-type: none"> • Retain a qualified environmental consultant in accordance with Section 61.17 to perform a neighborhood hazardous waste activity review in compliance with Section 61.9, and submit the environmental consultant's analysis and conclusions, and • Confirm that the Borrower has complied with any conditions or requirements in the first Mortgage regarding an identified environmental hazard or Mold and has completed any required work. <p>For TAH Mortgages under a Forward Commitment, see Section 61.1(b)(1) for the requirements applicable to an environmental</p>



Document	Requirements
	report prepared by a consultant retained or directed by the Borrower.
EPA Energy Star Score	A score obtained using the U.S. Environmental Protection Agency’s (EPA’s) Portfolio Manager®, used by Borrowers seeking Green Advantage benefits.
Equity Conflict of Interest statement	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"> • With the preliminary underwriting package (for a Seller utilizing the early rate-lock delivery option) or the full underwriting package (for a Seller utilizing the standard delivery option), or • For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i>
Evidence of Insurance	<p>The Seller must submit the following to Freddie Mac to verify that the Property has, or will have as of the Freddie Mac Funding Date, adequate property damage and liability insurance as required by the Purchase and Servicing Documents:</p> <ul style="list-style-type: none"> • Fully completed Form 1133, Seller/Servicer Certification of Insurance Coverage, via the Insurance Compliance Tool (ICT) • The documents listed in Sections 31.20(a) and 31.20(b), as applicable <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p> <p>If the Borrower's insurance will not meet the Freddie Mac insurance requirements, the Seller/Servicer must request a waiver prior to the Origination Date from the</p> <ul style="list-style-type: none"> • <i>Multifamily TAH Underwriter</i>, for Targeted Affordable Housing Mortgages • <i>Applicable Freddie Mac Multifamily Regional Office</i>, for all other Mortgages.
Evidence of Tax Abatement	For Properties benefiting from real estate tax abatements, including payment in lieu of taxes (PILOT), the Seller must provide documentation from the taxing authority or the governing body



Document	Requirements
	<p>confirming:</p> <ul style="list-style-type: none"> • That the Property or the Borrower, as applicable, has qualified for the Tax Abatement • The amount of annual tax to be paid, if any • The term of the Tax Abatement • Any other requirements of the Tax Abatement <p>See the Tax Abatement/Exemption/PILOT Questionnaire for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The Tax Abatement/Exemption/PILOT Questionnaire is found on the legal document pages of mf.freddiemac.com.</p>
<p>Exclusionary List</p>	<p>See Section 2.18.</p>
<p>Financial statements of Borrower and Key Borrower Principals – certified</p>	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p> <ul style="list-style-type: none"> • Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key Borrower Principal • Federal income tax returns for the Borrower for the most recent taxable year, if requested <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p>



Document	Requirements
	<p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"> • All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities • All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation • Any factors that may materially affect the Borrower or Key Borrower Principal’s financial position immediately or during the term of the Mortgage <p>The Seller must review the financial statements. Financial statements for which Freddie Mac requires certification must bear the following statement, executed by an individual who is authorized to legally bind the Borrower or Key Borrower Principal:</p> <p>I hereby certify that these financial statements are complete and accurate representations of the financial condition of [Name of Individual or Entity] as of the date of the statements [if financial statement is for an entity: and I am duly authorized to bind that entity this certification].</p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit financial statements unless specifically requested by Freddie Mac.</p> <p>If the Borrower or Key Borrower Principal is a non-profit, the Seller must identify whether the non-profit Borrower’s or Key Borrower Principal’s primary funding sources are from fees on development projects or from competitive sources such as public funding, grants, gifts, or donations that may be subject to budget constraints.</p>
Financial statements – property	See “property financial statements.”
Flood zone determination (FZD)	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
Green Building Certificate	Any industry-standard green rating or certification, when required for Green Certified buildings. Acceptable green ratings or



Document	Requirements
	<p>certifications include</p> <ol style="list-style-type: none"> 1. EarthCraft, South Face 2. ENERGY STAR for Multifamily Existing Buildings, High Rise, New Construction, EPA 3. Green Communities, Enterprise Community Partners 4. Green Globes, Green Building Initiative 5. GreenPoint Rated, Build It Green 6. Leadership in Energy and Environmental Design (LEED), US Green Building Council 7. National Green Building Standard, Home Innovation Research Labs 8. Passive House Institute US (PHIUS) Certified 9. Passive House Institute (PHI) Certified and/or 10. Any other approved certification provided by the applicable authority
<p>Green Retrofits Certification, Form 1209</p>	<p>The Seller must provide Freddie Mac with Form 1209, Green Retrofits Certification, executed by the Borrower, (i) if the Borrower seeks to qualify for a Green Retrofits benefit; or (ii) in connection with a TAH TEL Conversion.</p> <p>Form 1209 requests certification of the energy and/or water efficiency improvements currently in place at the Property as of the completion date of Form 1209 and made during the then current calendar year and the preceding two calendar years.</p> <p>The executed and completed Form 1209 must be submitted as part of the full underwriting package (or as part of the preliminary underwriting package in the case of an early rate lock option). For TAH TEL conversions, the executed form must be submitted as part of the full underwriting package at the time of the TAH TEL Conversion.</p>
<p>Ground lease documentation</p>	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all of the following, with a copy of each to the</p>



Document	Requirements
	<p>applicable <i>Multifamily Attorney</i>. See Chapter 30.</p> <ul style="list-style-type: none"> • A copy of the ground lease and all existing amendments • An analysis of the ground lease by Seller's counsel using the Ground Lease Analysis form available on FreddieMac.com • Any other items required by Chapter 30
<p>Historical property financial statements</p>	<p>See “property financial statements.”</p>
<p>Housing Assistance Payments (HAP) contract</p>	<p>The Seller must provide, if applicable:</p> <ul style="list-style-type: none"> • Copies of the original Section 8 HAP Contract along with all amendments and renewals, including evidence of the currently applicable unit rents approved by the US Department of Housing and Urban Development (HUD) or the HAP Contract administrator • Section 8 Housing Assistance Payments Contract Questionnaire (available at mf.freddiemac.com), completed by both Seller and Seller’s counsel • Evidence of 2530 clearance for Borrower, Borrower Principals and Management Agent • Management and Occupancy Review MOR Form • Current REAC Score • The most recent HUD Inspection Report, if the current REAC Score is less than 80 and the Property is required to undergo an annual HUD inspection <p>See “rent, income and use restriction documentation.”</p>
<p>Land Use Restriction Agreement (LURA)/ regulatory agreement</p>	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property (for tax-exempt bonds, if applicable, and LIHTC).</p> <p>See also “rent, income and use restriction documentation.”</p>



Document	Requirements
<p>Legal Issues Analysis (LIA) form</p>	<p>The LIA is the form used to prepare the preliminary legal issues memorandum (PLIM) at loan origination. The LIA (and any required updates as described in the LIA instructions) must meet the requirements of Section 6.4. The LIA is available at mf.freddie.mac.com/lenders/legal.</p> <p>See the entry for preliminary legal issues memorandum (PLIM), below, for the analysis required for Servicing transactions.</p>
<p>Liquidity verification documentation</p>	<p>Each Key Borrower Principal in a position of Ultimate Control or Guarantor who is (i) a First-Time Sponsor or (ii) Limited Multifamily Experience Sponsor must provide bank or brokerage statements to validate the Liquidity reported in the certified financial statement.</p> <p>Each bank or brokerage statement must be certified and dated within 60 days of delivery of the full underwriting package.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>Liquidity verification for a Private Investment Fund that is also a First-Time sponsor or Limited Experience sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using Form 1112.</p>
<p>Low-Income Housing Tax Credit (LIHTC) Compliance/Monitoring for Income Averaging documentation</p>	<p>For a LIHTC Property where the Income Averaging Set-Aside has been applied, documentation providing details of the LIHTC Investor’s compliance and monitoring strategy.</p>
<p>Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</p>	<p>The Seller must provide a copy of:</p> <ul style="list-style-type: none"> • The allocation letter • The IRS Form 8609, <i>Low-Income Housing Credit Allocation and Certification</i>, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service • The IRS Form 8823, <i>Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition</i>, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code



Document	Requirements
	<p>(IRC) §42 from both the property manager and the Borrower Principal</p> <p>In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties.</p> <p>See also “rent, income and use restriction documentation.”</p>
<p>Management plan or management agreement</p>	<ul style="list-style-type: none"> • The Seller/Servicer must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage • If the Property is managed by the Borrower or the Borrower Principal, the Seller must deliver the Borrower’s management plan • If a management firm is managing the Property, the Seller must include a copy of the management agreement for the Property • If the management agreement will not be assigned to the lender, then the agreement must be terminable by the property owner upon not more than 30 days’ notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee
<p>Manufactured Housing Community (MHC) (unless MHROC, government-owned, or non-profit-owned)</p>	<p>For an MHC Mortgage with MHC Tenant Protections, including all MHC Mortgages quoted on or after September 1, 2021 (unless MHROC, government-owned, or non-profit owned), the Seller must submit the documentation noted in either a. or b. below:</p> <p>a. Form of Agreement with MHC Tenant Protections that will be executed or acknowledged by the Applicable MHC Residents. Seller’s counsel must confirm that the Form of Agreement includes all MHC Tenant Protections (including the conflicts of law provision) and requires a written signature of the Applicable MHC Residents. See the MHC Tenant Protections section in the LIA to understand the Borrower’s final selection.</p> <p>If the above Form of Agreement (e.g. Rules and Regulations) will not be signed by the Applicable MHC Residents, then a sample form of acknowledgement from the Applicable MHC Residents of the above Form of Agreement is required. See the MHC Tenant Protections section in the LIA.</p>



Document	Requirements
	<p>b. For Mortgages originated on or after August 2, 2021 where the Borrower has elected to incorporate the MHC Tenant Protections in the MHC rules and regulations and deliver to each Applicable MHC Resident an MHC Tenant Protections Notification: (1) a copy of the MHC rules and regulations that include the MHC Tenant Protections, and (2) the form of MHC Tenant Protections Notification. Seller’s counsel must confirm that the MHC rules and regulations and form of MHC Tenant Protections Notification include all the MHC Tenant Protections, including the conflicts of law provision.</p>
<p>Manufactured Housing Resident-Owned Community (MHROC) Analysis</p>	<p>For a Manufactured Housing Resident-Owned Community (MHROC) Mortgage, a copy of the Manufactured Housing Resident-Owned Community Analysis, available on FreddieMac.com, with a copy to the applicable <i>Multifamily Attorney</i>.</p>
<p>Market study</p>	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"> 1. Market area definition 2. Physical and location analysis 3. Economic analysis 4. Demographic analysis 5. Supply analysis 6. Demand analysis 7. Capture rate analysis by unit type 8. Recommendation <p>Freddie Mac will also accept a market study incorporated into the Appraisal, per the requirements of Section 60.20.</p> <p>For a Forward Commitment, the market study must support the underwriting assumptions.</p>



Document	Requirements
<p>Master lease documentation</p>	<p>For a Property subject to a master lease, the Seller must provide:</p> <ul style="list-style-type: none"> • A copy of the master lease and all existing amendments • An analysis of the master lease by Seller’s counsel in accordance with Section 6.7
<p>Mortgage transaction narrative analysis</p>	<p>The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller's option) may be based on the Mortgage Transaction Narrative Analysis – Best Practices.</p> <p>a. The mortgage transaction narrative analysis must contain the following:</p> <ol style="list-style-type: none"> 1. Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage 2. Property's physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages) 3. Property's financial analysis (profile and trend) 4. Evaluation of balloon risk that includes the Borrower's ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity 5. Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment 6. Market analysis (occupancy, supply and concessions) 7. History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds 8. Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including: <ul style="list-style-type: none"> • An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor or a Limited Multifamily Experience Sponsor, as provided in Section 9.2(d), • An estimate of the financial capacity of the Borrower and each Key Borrower Principal (that is, estimated net worth, Liquidity and contingent liabilities), and



Document	Requirements
	<ul style="list-style-type: none"> • For TAH Mortgages, a summary of the qualifications of any Borrower Principal whose experience is significant to the success of the deal. <p>9. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee.</p> <p>For Senior Housing Mortgages:</p> <ul style="list-style-type: none"> • The State and / or regional location of all properties under management • The type and number of acuity of the units managed or owned, and • For Seniors Housing Mortgages that do not require a Seniors Housing Liability Assessment, a description of the depth and level of experience of all key personnel on the onsite, corporate, and regional leadership team of the property manager or Operator <p>10. Review of third-party reports, including the Seller/Service's reviews of and comments on the Appraisal, environmental and property condition reports (with full underwriting packages only)</p> <p>11. Loan history if there is an existing mortgage on the Property</p> <p>12. Proposed sources and uses of funds</p> <p>13. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or military population) (this item is not required for Seniors Housing Mortgages)</p> <p>14. Cash equity at risk</p> <p>15. Any exception requests</p> <p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8.15(a).</p> <p>b. <u>In addition to items a. 1 – 15 above, for Seniors Housing Mortgages include:</u></p> <ol style="list-style-type: none"> 1. Property information, including



Document	Requirements
	<ul style="list-style-type: none"> a. Property type (Independent Living Property, Assisted Living Property, Alzheimers/Dementia Care Property or Continuing Care Retirement Community (CCRC)) b. Number of units and beds c. Average monthly rent d. Percentage of skilled nursing beds, if applicable e. Percentage of net income derived from skilled nursing beds, if applicable <ul style="list-style-type: none"> 2. An evaluation of the Borrower's and Third-party Operator's (if any) experience at the Property and its other properties 3. The discussion of surrounding property uses must also include hospitals, seniors centers, libraries, restaurants and hotels 4. A market analysis, in the description of market supply, must include a list of all comparable properties, including address with zip code, number of units and beds, their service type, and approximate distance from the Property. The Seller must submit at least three comparables. <p><u>c. In addition to items a. 1 – 15 above, for a Supplemental Mortgage behind a Securitized First Mortgage, include:</u></p> <ul style="list-style-type: none"> 1. Confirmation of original UPB, current UPB, amortization (identifying any interest-only period), Annual Debt Service (interest-only and amortizing, as appropriate), and maturity date 2. Identification of Securitization pool 3. Delinquency report 4. Most recent inspection report <p><u>d. In addition to items a. 1 – 15 above, for a Mortgage securing a Property subject to a condominium regime:</u></p> <p>See "Condominium Analysis."</p> <p><u>e. In addition to items a. 1-15 above, for a Mod Rehab Mortgage:</u></p> <ul style="list-style-type: none"> 1. Summary of renovation scope, budget, and renovation and lease-up schedule.



Document	Requirements
	<ol style="list-style-type: none"> 2. Tax analysis for both the as-is value and the hypothetical as-if renovated and stabilized today value with support tailored to the Property’s jurisdiction. 3. Sponsor’s experience and success with other moderate rehabilitation or value-add projects in recent history with detailed explanation of the extent of the renovations and rent appreciation post renovations. 4. Analysis of any anticipated rent increases or expense savings as a result of the planned renovations at the subject property.
<p>Occupancy history</p>	<p>For a Mortgage whose original principal balance is greater than \$100 million, the Seller must provide the annual percentage of physically occupied dwelling units for each of the most recent five years, or for each year since the completion of construction, whichever is less.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<p>Optigo Lender’s Fee Certification – Conventional and Targeted Affordable Housing form</p>	<p>Required for all loans where a broker and/or correspondent is involved in the transaction. This form requests certain information about broker and other fees and requires the Seller/Service to disclose whether the servicing fee and/or Freddie Mac securitization compensation applicable to a loan will be a factor in determining the broker/correspondent compensation.</p>
<p>Organizational Charts – Borrower, Guarantor (not in Borrower’s organizational structure), Master Tenant, Operator, or Pre-Approved Transferee (not in Borrower’s organizational structure)</p>	<p>For any entity that is a Borrower, a Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, Master Tenant of a Shariah compliant loan, DST loan or other master lease structure or Operator of a Seniors Housing Property, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity:</p> <ul style="list-style-type: none"> • With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, Master Tenant or Operator including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust • That is a Non-U.S. Equity Holder • For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer



Document	Requirements
	<ul style="list-style-type: none"> That directly or indirectly Controls Borrower, Guarantor, Pre-Approved Transferee not in the Borrower’s organizational structure, Master Tenant or Operator including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>The Seller/Servicer’s counsel must review the Organizational Chart.</p> <p>See Guidance – Organizational Charts at mf.freddiemac.com/lenders/uw.</p>
Payroll schedule	<p>The Seller must provide a current schedule of payroll expenses associated with the operation of the on-site leadership team at the Property, including salary, wages, bonuses, net pay and deductions.</p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p>
Photographs	<p>The Seller must submit to Freddie Mac photographs clearly illustrating all aspects of the Property, including exterior, interior and street scenes.</p>
Physical Risk Report – Form 1108	<p>The Seller/Servicer has the option to provide to Freddie Mac a completed Form 1108, Physical Risk Report, meeting the requirements of Chapter 66 in lieu of an environmental report and a property condition report for a Mortgage that meets all of the following conditions:</p> <ul style="list-style-type: none"> The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage



Document	Requirements
<p>Post-construction analysis report</p>	<p>A post-construction analysis report meeting the requirements of Section 63.5 is required.</p> <p>This report is required for Forward Commitments and for Mod Rehab Mortgages at completion of renovation. See Section 39.9 for submission of a post-construction analysis report for a Mod Rehab Mortgage.</p>
<p>Pre-construction analysis report</p>	<p>A pre-construction analysis report meeting the requirements of Section 63.3(a) is required.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>
<p>Preliminary legal issues memorandum (PLIM)</p>	<p>The Legal Issues Analysis form is used to prepare the preliminary legal issues memorandum (PLIM) prior to loan origination.</p> <p>The Preliminary Legal Issues Memorandum Form – Servicing is the form used to prepare a PLIM meeting the requirements of Section 6.4 for Servicing transactions.</p>
<p>Property condition report</p>	<p>The Seller must provide to Freddie Mac a property condition report meeting the requirements of Chapter 62.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>
<p>Property financial statements</p>	<p>The Seller must provide to Freddie Mac financial statements for the Property as follows:as specified below.</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"> <p>Historical property financial statements</p> <p>Financial statements for the Property for the specified period, certified by the Borrower via the Blanket Certification as complete and accurate</p> <p>For a refinance of an MHC with Manufactured Home(s) owned by the Borrower or an Affiliate of the Borrower, the Seller must</p>



Document	Requirements
	<p>provide income and expense statements of the Manufactured Home(s).</p> <p>The Seller must provide historical property financial statements for the most recent three years, or since the completion of construction of the Property, whichever is less, and including the net rental income, concessions and gross potential rent.</p> <p>• Current property financial statements (T-12 format)</p> <p>Current <u>Additionally, Seller must provide a</u> statement for the twelve-month period prior to the month in which the Borrower has made the financing request, certified by the Borrower as complete and accurate <u>(current property financial statement in a T-12 format)</u>. If available, this statement must reflect monthly operations for each of the preceding 12 months. If a monthly summary statement is not available, the Seller must provide a current fiscal year-to-date Property financial statement and a monthly statement for each of the three months prior to the month in which the Borrower has made the financing request. These statements must be certified by the Borrower as complete and accurate via the Blanket Certification.</p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p> <p>• Borrower’s budgeted property financial statements</p> <p>The Borrower’s budget for the following 12-month period, certified by the Borrower as complete and accurate via the Blanket Certification.</p> <p><u>The document(s) must be certified using Form 1112.</u></p> <p>The Seller must review the property financial statements, which must include income and expense statements.</p> <p>See the Blanket Certification for instructions on preparing the certification of the property financial statements.</p> <p>If the financial statements are audited, they must include a statement of changes in financial position and all notes.</p> <p><u>For a refinance of an MHC with Manufactured Home(s) owned by the Borrower or an Affiliate of the Borrower, the Seller must provide income and expense statements of the Manufactured Home(s) which must be certified using Form 1112.</u></p>



Document	Requirements
<p>Property inspection documentation</p>	<ul style="list-style-type: none"> • Prior to early rate-lock, the Seller must complete and document the inspection described in Section 8.15(a) • At full underwriting, the Seller must complete and document the property inspection described in Section 8.15(b) • Prior to commitment under a Forward Commitment, the Seller must conduct a Forward Commitment Property Inspection as described in Section 8.16 • Prior to conversion under a Forward Commitment, the Seller must conduct a complete property inspection as described in Section 8.15(b) <p>The inspection requirements must be completed within 120<u>90</u> days of Freddie Mac’s receipt of the applicable underwriting package.</p> <p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form.</p> <p>If the Seller inspection was not completed on the same day as the inspection for either the Appraisal and/or the physical condition report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p> <p>See Section 8.15 for additional information regarding property inspection requirements.</p>
<p>Proposed transaction schedule</p>	<p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a proposed transaction schedule that sets forth the schedule and timing for the bond transaction, including the scheduled conference calls, timing for the delivery of documents and the closing date.</p>
<p>Purchase agreement documentation</p>	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"> • A copy of the purchase agreement and all amendments • An analysis of the purchase agreement and all amendments by Seller’s counsel using the Purchase Agreement Analysis form <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>



Document	Requirements
<p>Quote</p>	<p>The Seller must provide a copy of any written Quote issued by Freddie Mac, or a statement indicating the date and terms of the verbal Quote the Borrower has selected.</p>
<p>Real Estate Schedule, Form 1116</p>	<p>The Seller must provide to Freddie Mac a Form 1116, Real Estate Schedule, for all real estate in which any Key Borrower Principal that is not newly formed currently has a direct or indirect interest.</p> <p>NOTE: A Form 1116 is not required for the Seller/Servicer or its affiliate when the Seller/Servicer or its affiliate has an equity interest in the Borrower in the form of a Preferred Equity investment and is a Pre-Approved Transferee under the Mortgage.</p> <p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p> <ul style="list-style-type: none"> • Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following: <ul style="list-style-type: none"> ○ The full recourse obligation to the lender, including the entire amount of joint and several guarantees ○ For loans on properties under construction, the loan amount drawn to date and the as-is value • Provide a written explanation of any non-performing assets in its portfolio • State whether the Key Borrower Principal owns other properties in the market where the Property is located <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1116, Real Estate Schedule Form 1116 unless specifically requested by Freddie Mac.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>If the Property is a Cooperative or MHROC, the Form 1116, Real Estate Schedule, Form 1116 may be waived if the Borrower confirms the following on the Form 1115, Borrower Certificate, and</p>



Document	Requirements
	<p>Form 1115, Key Borrower Principal Certificate, as applicable:</p> <ul style="list-style-type: none"> • The Property is a Cooperative • The Borrower does not own any asset other than the Property
<p>Real Estate Schedule Addendum – Seniors Housing</p>	<p>See “Seniors Housing Real Estate Schedule Addendum.”</p>
<p>Real estate tax bill</p>	<p>If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property’s local taxing authority.</p> <p>If the Mortgage is being originated for the purpose of new construction, a real estate tax bill is not required.</p>
<p>Registration of rental units (rent control/ stabilization)</p>	<p>The Seller must provide to Freddie Mac proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property. Freddie Mac may require similar proof of compliance with such requirements for prior years and may require other evidence of compliance with State or local rent control or stabilization laws in other States.</p>
<p>Renovation documentation – Mod Rehab Mortgages and Preservation Rehabilitation Mortgages</p>	<p>For all Mod Rehab Mortgages, the Seller/Service must provide the documentation listed below. For a Preservation Rehabilitation Mortgage, Freddie Mac may request the Seller/Service to include the following documentation in the underwriting package. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"> • Construction budget – hard costs and material quantities • Development budget – total project costs, including soft costs, financing costs, land acquisition expenses and hard costs • Construction schedule – the timeline for major construction activities • Lease-up schedule – the timeline for the lease-up • Final plans and specifications – a clear picture of the Property’s appearance and new features post-renovation. Plans and specifications are considered to be final when they are stamped



Document	Requirements
	<p>and sealed by the associated professional</p> <ul style="list-style-type: none"> • Construction contract – the contract between the Borrower and the general contractor for the completion of all planned renovations • Development team’s qualifications – key staff resumes, a summary of experience with similar projects and years in business. Members of the development team include the sponsor, the architect, the general contractor and the management company • Servicing team’s qualifications – staff resumes and summary of experience with similar projects. Members of the Servicing team include individuals responsible for administration and those responsible for physical inspections <p>Work in Progress: If renovation work commenced before underwriting, additional information is required: The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"> • Sponsor certification regarding all work completed and costs expended • All executed change orders to date • All construction monitoring reports to date. <p>For any new construction (i.e., new residential or amenity building), a more detailed breakout within the budget, schedule, and plans/specs is required. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>See Chapter 63 for additional information about renovation documentation.</p>
<p>Rent, income and use restriction documentation</p>	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p>



Document	Requirements
	<p>If applicable, see also:</p> <ul style="list-style-type: none"> • Land Use Restriction Agreement (LURA)/Regulatory Agreement (for tax-exempt bonds, if applicable, and LIHTC) • Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation • Housing Assistance Payments (HAP) contract • Registration of rental units (rent control/stabilization)
<p>Rent roll</p>	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at https://mf.freddiemac.com/docs/rent_roll_template.xls.</p> <ul style="list-style-type: none"> • Is dated within 30 days of the underwriting package submission. • Is complete with respect to the required information below for each unit: <p><u>For a Property that is not secured by a Seniors Housing Mortgage:</u></p> <ol style="list-style-type: none"> <u>1.</u> 1. <u>"As of" date of the rent roll clearly indicated within the document</u> <u>2.</u> 1. <u>Tenant's name(s)</u> <u>3.</u> 2. <u>Unit number or identification</u> <u>4.</u> 3. <u>Unit type (number of bedrooms and bathrooms)</u> <u>5.</u> 4. <u>Square footage of each unit</u> <u>6.</u> 5. <u>Occupancy status by unit and by bed, if applicable</u> <u>7.</u> 6. <u>Identification of any employee units, model units, corporate units and units used as rental offices</u> <u>8.</u> 7. <u>Monthly contract rent</u>



Document	Requirements
	<p><u>9.</u> 8. Concessions, rebates or discounts given to tenant, if applicable</p> <p><u>10.</u> 9. Arrearages owed by tenant, if any</p> <p><u>11.</u> 10. Subsidies, if applicable (specify type)</p> <p><u>12.</u> 11. Rent controlled or rent stabilized, if applicable</p> <p><u>13.</u> 12. Original occupancy date, per tenant</p> <p><u>14.</u> 13. Lease commencement date</p> <p><u>15.</u> 14. Lease expiration date and renewal options, if any</p> <p><u>16.</u> 15. Month-to-month status, per tenant</p> <p><u>17.</u> 16. Amount of security deposit held</p> <p><u>18.</u> 17. Furnished or unfurnished status</p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p> <p><u>For a Property secured by a Seniors Housing Mortgage:</u></p> <p><u>1.</u> <u>"As of" date of the rent roll clearly indicated within the document</u></p> <p><u>2.</u> 1. Tenant's name(s)</p> <p><u>3.</u> 2. Unit number or identification</p> <p><u>4.</u> 3. Unit type (number of bedrooms and bathrooms)</p> <p><u>5.</u> 4. Occupancy status</p> <p><u>6.</u> 5. Identification of any employee units, model units, corporate units and units used as rental offices</p> <p><u>7.</u> 6. Monthly rent and concessions, if applicable, without regard to any applicable additional resident fees, subsidies, or</p>



Document	Requirements
	<p>concessions, rebates or discounts given to tenant. If Property or resident receives any Medicaid income, Medicaid subsidy/ reimbursement must be listed separately from the rent the resident pays</p> <p>8. 7. Entrance fees, community fees or other upfront fees held or charged (refundable or nonrefundable)</p> <p>9. 8. Additional fees for second residents, if applicable. If the unit has two unrelated occupants, rents for each resident should be combined</p> <p>10. 9. Fees for resident care associated with Activities of Daily Living (ADLs)</p> <p>11. 10. Miscellaneous ancillary fees, such as furniture rental, beautician, unscheduled transportation or interest income</p> <p>12. 11. Arrearages owed by tenant, if any</p> <p>13. 12. Lease commencement date</p> <p>14. 13. Original occupancy date, per tenant</p> <p>15. 14. Lease expiration date and renewal options, if any</p> <p>16. 15. Month-to-month status, per tenant</p> <p>17. 16. Amount of security deposit held</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p><u>For Mortgages originated under a Forward Commitment:</u></p> <ul style="list-style-type: none"> • A rent roll is not required in the full underwriting package for a Mortgage originated for new construction • For a TAH Cash or TAH Bond Credit Enhancement Conversion Underwriting Package, the rent roll must cover the preceding 90 days and must be dated within 45 days of the Conversion <p>In addition to the rent roll, for an LIHTC Property where the Income Averaging Set-Aside has been applied, the Seller must provide a</p>



Document	Requirements
	<p>rent roll analysis confirming that rents on the Origination Date will meet the average AMI requirements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Residential lease sample	<p>Freddie Mac requires the property inspector to upload, to DMS as part of the required Property inspection documentation, a sample or unexecuted residential lease or an executed residential lease.</p>
Seismic risk documentation	<p>If a Property is located in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64.2. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary.</p>
Seller’s certification and disclosure of any HUD-2530 issues relating to the Borrower Principal and Property Manager	<p>Freddie Mac requires the Seller to certify and disclose any issues with the Borrower Principal and Property manager that may have been identified on a Form HUD-2530, <i>Previous Participation Certificate</i>. This form is HUD’s centralized review of the past/present performance of those principals applying for participation in HUD’s multifamily housing programs. Principals are reviewed to see if they have carried out their past financial, legal, and administrative obligations in a satisfactory and timely manner.</p>
Seller’s certification regarding compliance with representations and warranties	<p>The Seller must provide to Freddie Mac the following certification in a letter on the Seller’s stationery:</p> <p>“Seller certifies that it is familiar with and in compliance with the warranties and representations that, pursuant to Chapter 5 of the Freddie Mac <i>Multifamily Seller/Service Guide</i>, it is deemed to make with respect to each Mortgage and related information delivered to Freddie Mac.”</p>
Seller’s mortgage loan application with Borrower	<p>For all Mortgages, the Seller must provide to Freddie Mac a copy of the mortgage loan application executed by the Borrower and submitted to the Seller. The application must evidence all material terms of the proposed mortgage financing. In addition, for Mortgages submitted under the early rate-lock delivery option, the Seller’s application must evidence the Borrower’s obligation to pay the Borrower Breakage Fee (see Section 27.2).</p>



Document	Requirements
	<p>For any Mortgage, the mortgage loan application must include the following authorization by the Borrower:</p> <p>“The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the "Mortgage") to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p> <p>For any cash execution Mortgage, the mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"> • “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial statements from the Borrower outlining the Property’s financial performance.” • “The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac’s portfolio.” <p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement program, the mortgage loan application must include the following authorization by the Borrower:</p> <p>“The Borrower understands that Freddie Mac intends to credit enhance the mortgage loan for which Borrower is applying (the "Mortgage"). If Freddie Mac credit enhances the Mortgage, the Borrower’s signature below constitutes the Borrower’s authorization for Freddie Mac to publicly use, at Freddie Mac’s discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p>
<p>Seller's pro forma property financial statements</p>	<p>The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>



Document	Requirements
<p>Seniors Housing agreements and contracts</p>	<p>The Seller must provide to Freddie Mac a copy of all potentially material contracts and agreements by the Borrower, manager or operator of the Property related to the ownership and operations of the Seniors Housing Property, acceptable to Freddie Mac, including, but not limited to contracts:</p> <ul style="list-style-type: none"> • For preparing and serving food (not including food supply contracts) • For medical services or healthcare provider agreements, regardless of annual consideration or term, or • Of which the average annual consideration, directly or indirectly, is at least \$50,000 <p>Generally, copies of contracts for routine maintenance such as landscaping, snow removal or general office equipment are not required.</p> <p>The Seller must also provide a certification from the Borrower listing the contracts that fall into the foregoing categories, and who among the Borrower, operator, and property manager is a party to each contract. If there are no contracts that fall into the foregoing categories, the Seller must provide a certification from the Borrower to that effect.</p> <p>The Legal Issues Analysis must specify (i) any contracts that should be considered material for purposes of the Loan Agreement, and (ii) recommendations regarding assignments of contracts that are not in the Borrower’s name.</p>
<p>Seniors Housing Liability Assessment</p>	<p>If the Property includes assisted living, Alzheimer’s care or skilled nursing units, the Seller must provide to Freddie Mac a Seniors Housing Liability Assessment for each property manager or Operator to evaluate its risk management practices with respect to employees, residents and incident reporting.</p> <p>The Seniors Housing Liability Assessment must be performed by a professional meeting the requirements of Section 21.2(i) and the Seller/Serviceicer must document the suitability of the professional in the Liability Assessment.</p> <p>The Seniors Housing Liability Assessment must address the following topics:</p> <p>1. Professional Qualifications</p>



Document	Requirements
	<ul style="list-style-type: none"> a. Experience Minimum of five years' experience in geriatrics/long-term-care clinical practices. b. Education Minimum of five years as a Licensed Administrator, licensed practical nurse (LPN) registered nurse (RN), or Physician Extender (PA, RNP) c. References, which address: <ul style="list-style-type: none"> 1. Scope of work 2. Quality of recommendations given 3. Quality of resources provided 4. Timeliness of work product d. Sample work product: <ul style="list-style-type: none"> 1. Copy of typical assessment report 2. Sample recommendations based on industry exposures 3. Sample resources provided to clients to assist in reducing risk to claims 4. Training programs offered 5. Monitoring programs offered <p>2. Employee Practices</p> <ul style="list-style-type: none"> a. Risk Management policies and procedures identifying background checks, reference checks and analyzing the background of individuals employed at the Property (e.g., appropriate credentials and certifications) b. Hiring and screening practices and personnel policies (e.g., employee handbook, orientation materials, initial and in-service training materials, available resources, etc.) c. Identification of the use of electronic systems including Billing, Medical Administration Record (MAR), Patient care management, and Marketing d. Compliance with State property staffing requirements including staff to resident ratios per shift and temporary staff and shift change procedure as applicable by State regulations



Document	Requirements
	<p>3. Management Practices</p> <p>a. Key Topics</p> <ol style="list-style-type: none"> 1. Evidence of written employee policies and procedures manual 2. Staff orientation, screening and discipline regarding resident care issues <p>b. List of key Property level staff including:</p> <ol style="list-style-type: none"> 1. A list of the key Property level positions 2. The tenure of individuals in their positions at the facility 3. The amount of experience the individuals have in the seniors housing industry 4. Resumes should be attached to the report <p>c. Identification of the availability and usage of home health services including:</p> <ol style="list-style-type: none"> 1. Identify whether home health services are being used at the Property 2. Identify who is providing or contracting with the home health services – for example is it the Borrower, a Borrower Affiliate, the Operator, an Operator Affiliate, or a third party 3. If home health services are provided or contracted by the Borrower or Operator verify the provider’s certification or licensing, as required by State as well as a copy of the referenced contract 4. Identify whether the home health provider leases space or not at the Property 5. Type of services offered by home health agency <p>d. Risk management policies and procedures, including identifying and analyzing the background/experience of individuals employed by the Borrower or the Operator to handle insurance and risk management matters.</p> <p>e. Corporate / Regional Support and Quality Assurance:</p> <ol style="list-style-type: none"> 1. Discussion of the corporate / regional oversight or 3rd-party contract of the facility including identification of the corporate / regional staff that visit the Property including their title and frequency of visits



Document	Requirements
	<ul style="list-style-type: none"> 2. Copy of any risk management tools and summary reports/ audits, if available 3. Implementation of a quality assurance program addressing the regulatory compliance and whether internal results are tracked, trended, analyzed or benchmarked against other properties operated <p>4. Resident Practices:</p> <ul style="list-style-type: none"> a. The following must be provided, documented, and analyzed regarding resident practices: <ul style="list-style-type: none"> 1. Copy of written admission agreement(s) and fees that identify scope of services to be provided 2. Copy of resident assessment forms and qualifications of staff responsible for assessing residents prior to admission, as well as how often residents are assessed going forward b. Confirmation that specific policies and procedures are in place to address the following conditions: <ul style="list-style-type: none"> 1. Resident service plan established and updated with changes in condition 2. Resident evacuation in case of emergency 3. Fall management 4. Elopement/Wandering 5. Skin Care 6. Elder Abuse 7. Dehydration/Malnutrition 8. Neglect 9. Mental health behavior plan 10. Physical notification for change in resident condition 11. Medication management 12. Smoking 13. Transfer/Discharge 14. Infectious Control c. Collection of Resident Turnover data by care type to calculate the turnover ratio for the most current year available <p>5. Regulatory Compliance:</p>



Document	Requirements
	<ul style="list-style-type: none"> a. Identity of governmental authorities with jurisdiction over the Property, as well as each governmental authority's definition of the level of care permitted at the Property. b. Copies and a summary of all governmental surveys for last three-years or three certification periods including a summary and analysis of any deficiencies or enforcement actions cited in the surveys. The severity, repeated deficiencies and type of enforcement action (such as probation or ban on admissions) must be part of the analysis, categorized by the following topics: <ul style="list-style-type: none"> 1. State Health Inspections 2. Fire / Life Safety Inspections 3. Food Safety Inspections c. Copies of the Plan of Corrections (POCs) submitted by the owner or Operator and the date of acceptance of the government authority, if applicable. If the POC has not been accepted by the government authority, then the process required to resubmit plan of correction of deficiencies must be provided including any steps already taken or remaining to complete. If the correction requires re-inspection, this should be noted and whether it will occur at the next standard licensure inspection or earlier date. d. Discussion of whether the Property is in substantial compliance from most recent inspection and is permitted to continue operations until re-inspection. e. List and copies of all licenses and permits needed to operate the Property, the expiration date of such licenses, and if the license is transferable to include, but not limited to: <ul style="list-style-type: none"> 1. State health licenses 2. Business licenses 3. Food permits f. If a change in licensure is necessary, the report must detail the summary of licensing procedures required to affect a change in Property ownership, any service provider, authority to operate, or management, including the timeline for licensure change, the identification of the State or local governmental authority that needs to receive notice or provide approval, and the content of the notice.



Document	Requirements
	<p>g. If the Property receives any sort of subsidy program (for example Medicaid/ Medicare), then the report must include the following:</p> <ol style="list-style-type: none"> 1. Assessment of the status of any federal, state, or local proposed regulations or amendments to existing regulations that could affect the Property 2. Identification and analysis of any special insurance requirements required by any government authority. <p>Recommendation / Summary:</p> <ol style="list-style-type: none"> a. Onsite inspection of the Property b. An overall assessment of employee, management and resident practices as well as regulatory compliances affecting the Property, including the identification and analysis of shortcomings with recommendations on matters to the ownership, operation or management of the Property c. List of sources and references used to complete the report
<p>Seniors Housing licenses and certificates</p>	<p>The Seller must provide the following to Freddie Mac:</p> <ul style="list-style-type: none"> • A list of any and all licenses, certificates and permits required for the operation of the Property • A copy of each existing license, certificate or permit issued by any governmental or regulatory authority, whether issued to the Borrower, the manager or the operator of the Property, and the renewal date of each such license, certificate or permit • Documentation pertaining to any pending or outstanding violations, findings, investigations or corrective actions by such governmental or regulatory authority with respect to the Property and the status of any corrective actions pending or resolved within the previous three years <p>See Section 21.3(e) for additional license requirements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>



Document	Requirements
<p>Seniors Housing list of furniture, fixtures, equipment and motor vehicles</p>	<p>The Seller must submit to Freddie Mac a list of items or classes of items of all furniture, fixtures, equipment and motor vehicles located on or used in connection with the Property (“FF&E”) that are not owned by the Borrower, including the name of the owner of each item.</p> <p>The list document(s) must be certified by the Borrower to be true and complete using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>If all FF&E is owned by the Borrower, the Seller must provide a certification from the Borrower to that effect.</p> <p>The Legal Issues Analysis must include the Seller’s counsel’s recommendation with respect to the Lender’s security interest in FF&E and motor vehicles not in the Borrower’s name.</p>
<p>Seniors Housing Management Assessment</p>	<p>A Seniors Housing Management Assessment is required for any Seniors Housing Mortgage with a UPB greater than or equal to \$50 million, or for any Seniors Housing Mortgage that is part of a crossed pool, if the pool has a UPB greater than or equal to \$100 million.</p> <p>The Seniors Housing Management Assessment is a narrative report that describes and assesses the experience and capabilities of the Manager or Operator of the Property regarding the daily use and operation of the Property. It is required, whether the Manager or Operator of the Property is or is not an affiliate of the Borrower.</p> <p>The Seller may prepare the Seniors Housing Management Assessment or may contract for its preparation by a third-party.</p> <p>The Seniors Housing Management Assessment must address each of the categories outlined below:</p> <p>1. Management structure and experience</p> <ul style="list-style-type: none"> a. Organizational charts that identify all reporting relationships at the corporate, regional, and Property levels b. Description of the depth and level of experience of all key personnel at the corporate, regional, and Property levels



Document	Requirements
	<p>2. Employee / Management Practices</p> <ul style="list-style-type: none"> a. Corporate, regional, and Property level hiring and retention practices b. Interaction between corporate / regional staff with Property level staff c. Corporate training practices <p>3. Healthcare IT</p> <p>Review of the corporate and property level healthcare information technology including accounting, resident management, marketing, resident assessments, resident service plans, activities, medication administration records, and electronic health records.</p> <p>4. Risk Management Program</p> <ul style="list-style-type: none"> a. Corporate policies and procedures for reviewing, investigating, and reporting incidents and accidents b. Corporate level assessment of operations and clinical issues c. Corporate GL/PL insurance overview <p>5. Regulatory Compliance</p> <p>Corporate quality assurance program practices.</p> <p>6. Summary and Conclusion</p> <p>Overall conclusion on the competency of Manager or Operator experience and capabilities and whether they meet, exceed, or fall short of industry standards.</p>
<p>Seniors Housing operating lease</p>	<p>For any operating lease at the Property that will be in place on the Origination Date, the Seller must provide:</p> <ul style="list-style-type: none"> • A copy of the complete operating lease; and • An Operating Lease Analysis completed by the Seller’s counsel, using the form available at mf.freddie.mac.com/lenders/legal



Document	Requirements
<p>Seniors Housing Real Estate Schedule Addendum</p>	<p>In addition to the Form 1116, Real Estate Schedule, or other form, for a Borrower who leases the Property to a third-party operator, the Seller must provide Freddie Mac with the following information for each of the other such properties run by the operator:</p> <ol style="list-style-type: none"> 1. Name, address and location 2. Term of the contract 3. Property owner's name, address and telephone number 4. Type of resident care, if any, provided (for example, independent living, assisted living, dementia care or skilled nursing care) 5. A list of any required licenses and certifications that are not current and in good standing <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>5.</p>
<p>Sources and Uses</p>	<p>The Seller must provide details about a transaction’s cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>Sources and uses may be included in the mortgage transaction narrative analysis.</p>
<p>Student Housing Questionnaire, Form 1120</p>	<p>The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire, for each Student Housing Property.</p>



Document	Requirements
Subordinate debt documentation	The Seller must provide documentation for any subordinate debt, such as the note, mortgage, loan agreement and regulatory agreement or, if the subordinate loan has not yet been originated, the forms of such documents and the commitment for the subordinate loan.
Summary of interest rate hedge terms	The Seller must provide to Freddie Mac a summary of interest rate hedge terms.
Survey	A current survey of the Property meeting the requirements of Section 29.5. If the Mortgage is being originated for the purpose of new construction, an as-built survey is not required.
Verification of Collections, Form 1144	For a Targeted Affordable Housing Mortgage, the Seller must provide to Freddie Mac Form 1144, Verification of Collections, completed and certified by the Borrower or Key Borrower Principal. The last full month of verified collections must be dated within 30 days of package submission, unless otherwise specified by Freddie Mac. In lieu of a Form 1144, the Borrower may provide certified operating statements for the most recent three months.
Wood-damaging insect inspection documentation	<p>A wood-damaging insect inspection report is not required if the Property has no wood framing or structural members (i.e., significant components that could be subject to damage by wood-damaging insects, such as termites, powderpost beetles, carpenter ants, etc.) as determined by either the Property Condition Report or the Physical Risk Report.</p> <p>For any Property with wood framing or structural members as described above, the Seller must provide the following documentation to Freddie Mac:</p> <ul style="list-style-type: none"> • A wood-damaging insect inspection report stating that there is no evidence of wood-damaging insect infestation, or • Certification from the Property’s current pest control provider stating that there is no evidence of wood-damaging insect infestation and the Property is regularly inspected and/or treated to prevent wood-damaging insect infestation. <p>The wood-damaging insect inspection report or the certification from the Property’s current pest control provider must be dated within six months prior to the date of the submission of the full underwriting package to Freddie Mac.</p>



Document	Requirements
	<p>Notwithstanding the above, the documentation listed above is not required if the following three conditions are satisfied:</p> <ul style="list-style-type: none"> • The Borrower provides documentation confirming that there is a wood-damaging insect contract in place for the Property; • A wood-damaging insect contract will remain in place for the term of the Mortgage, and • There is no evidence of wood damage per the Property Condition Report (if applicable); <p>See also Sections 62.5(a), Property grounds and buildings, 62.5(e) Wood-damaging insects and 8.2(e) Wood-damaging insect inspection reports.</p>
<p>Zoning documentation</p>	<p>The Seller must provide a zoning report by a third-party reporting company. See Section 8.5 for additional documentation and analysis requirements if:</p> <ul style="list-style-type: none"> • The Property does not conform to current zoning regulations • A zoning report is not available in the jurisdiction where the Property is located • Not all certificates of occupancy required for the use, operation and occupancy of the Property are available <p>Regardless of whether a zoning report is required, for all full underwriting packages, the Seller must include all available certificates of occupancy as part of the zoning documentation.</p> <p>The zoning report may also include documentation of building code violations.</p> <p>A zoning report is not required if the Appraisal includes the zoning analysis required by Section 60.12(f)(2) and all of the following conditions are met:</p> <ul style="list-style-type: none"> • The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the



Document	Requirements
	<p>aggregate</p> <ul style="list-style-type: none"> The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage <p>See Section 8.5 for complete requirements.</p>

55.3 Requirements for documents contained in the prescreen package (04/13/23)

Cell phone tower lease	The Seller must provide an analysis of cell phone tower leases, if any.
TAH Conflicts Check – Transaction Parties and Details	The Seller must include a completed copy of the TAH Conflicts Check – Transaction Parties and Details for all Tax-Exempt Loans, Tax Exempt Bond Credit Enhancement Mortgages, and, upon request, for other TAH Mortgages.
Draft Appraisal	The Seller may provide a summary of a draft Appraisal for the Property, if available.
Environmental report and alternatives	The Seller must, to the extent available, provide an environmental report analysis meeting the requirements of Chapter 61.
Financial statements of Borrower and Key Borrower Principals	<p>The Seller must provide, to the extent available, current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>If current certified financial statements are unavailable, the Seller must provide an informed analysis, developed based on discussions and other due diligence, of the financial capacity of the Borrower(s) and Key Borrower Principal(s).</p>
Information on similar projects completed	The Seller must provide information on, and analysis of, targeted affordable housing projects that the Borrower has completed, for new construction or rehabilitation, that are similar in size and scope and/or are in the same market or sub-market.
TAH Request for Initial Cash Quote or Initial Bond Quote	The Seller must provide, as applicable, a completed copy of the TAH Request for Initial Cash Quote or the TAH Request for Initial Bond Quote



	Bond Quote, available at mf.freddie.mac.com/lenders/uw .
Loan Submission Template for Targeted Affordable Housing	The Seller must include a completed copy of the Loan Submission Template for Targeted Affordable Housing that is provided to the Seller by Freddie Mac. The latest version of the Template can be found at mf.freddie.mac.com/lenders/uw/loan_submission_template.html .
Market study	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"> 1. Market area definition 2. Physical and location analysis 3. Economic analysis 4. Demographic analysis 5. Supply analysis 6. Demand analysis 7. Capture rate analysis 8. Recommendation
Prescreening Executive Summary	The Seller must include a completed copy of the Prescreening Executive Summary form provided to the Seller by Freddie Mac.
Property condition report	The Seller must, to the extent available, provide an analysis of the property condition report meeting the requirements of Chapter 62.
Real Estate Schedule, Form 1116	The Seller must provide a Form 1116, Real Estate Schedule, or other form that contains comparable information, for all real estate in which any Key Borrower Principal currently has a direct or indirect interest.
Rent comparables summary	The Seller must provide a list of comparable properties in the market/submarket, detailing rents, unit size, unit mix, etc.
Resumes of Borrower and Key Borrower Principals	The Seller must provide a description of the Borrower’s and Key Borrower Principals’ (and Borrower Principals on TAH Mortgages where the qualifications of the Borrower Principal is significant to



	the success of the deal) experience with projects that are comparable in size and scope to the proposed transaction.
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Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:54:45 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 55 - Doc and Deliveries GB-04-18-24.docx	
Modified filename: 55 - Doc and Deliveries GB-06-13-24.docx	
Changes:	
Add	132
Delete	86
Move From	0
Move To	0
Table Insert	1
Table Delete	1
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	220

Multifamily Seller/Service Guide

Chapter 55SBL

SBL Documentation and Deliveries



55SBL.1 Use of Chapter 55SBL (12/14/23)

- a. Preparing an underwriting package (12/14/23)
- b. Preparing documentation required for a Transfer of Ownership (06/29/17)
- c. Notification requirements regarding updates to the underwriting package (02/16/23)
- d. Ability to request additional information (04/13/23)

55SBL.2 ~~Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (04/18/24)~~[Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership \(06/13/24\)](#)



55SBL.1 Use of Chapter 55SBL (12/14/23)

This Chapter 55SBL applies to SBL Mortgages originated under Chapter 18SBL. In this Chapter 55SBL, SBL Seller/Servicers are referred to as “Seller,” and SBL Mortgages are referred to as “Mortgages.”

Chapter 55SBL is to be used in the preparation of an underwriting package for an SBL Mortgage, and in the preparation of documentation to be submitted to Freddie Mac in connection with a Transfer of Ownership, as indicated in Chapter 41SBL.

a. Preparing an underwriting package (12/14/23)

1. Due Diligence – Chain of Custody.

- A. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting package as set forth in this chapter (other than Freddie Mac required third-party reports) must be delivered directly to the Seller/Servicer by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal’s firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with the due diligence and underwriting documentation chain of custody requirement.

2. Documentation Delivery. At the Seller's expense, the Seller must deliver the documents to Freddie Mac and remit any required fees to Freddie Mac by wire transfer, subject to Freddie Mac's approval.

- A. The Seller must obtain wire transfer instructions from the *Applicable Freddie Mac Multifamily Regional Office*.
- B. The Seller must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.
- C. With respect to each delivery:
 - The Seller must deliver the documents simultaneously.
 - The Seller may not make any changes to forms prescribed by Freddie Mac without prior written authorization from Freddie Mac.

If the delivery is incomplete, if the documents have not been properly prepared, or if the documents do not, or the delivery does not, otherwise conform to Freddie Mac requirements, Freddie Mac cannot process the package.



b. Preparing documentation required for a Transfer of Ownership (06/29/17)

Instructions for the preparation of documentation for a Transfer of Ownership can be found in Chapter 41SBL.

c. Notification requirements regarding updates to the underwriting package (02/16/23)

The Seller/Servicer must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

d. Ability to request additional information (04/13/23)

Notwithstanding the documentation requirements in Section 55SBL.2, Freddie Mac reserves the right to request any document identified in Section 55SBL.2 from any Borrower Principal.

55SBL.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (~~04/18/24~~06/13/24)

a b c d e f g h i j k l m n o p q r s t u v w x y z

Document	Requirements
<p>Access easement and Essential Facilities and/or Recreational Facilities easement documentation</p>	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"> • If the Property shares primary ingress and/or egress with adjacent or neighboring properties <ul style="list-style-type: none"> ○ Documentation in accordance with Section 8SBL.6 ○ A PLIM, if required by Freddie Mac ○ A copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable ○ An opinion from a land use attorney acceptable to Freddie Mac, if requested by Freddie Mac • If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the



Document	Requirements
	<p>owner</p> <ul style="list-style-type: none"> ○ Documentation in accordance with Section 8SBL.6 ○ A PLIM, if required by Freddie Mac <ul style="list-style-type: none"> ● See also “confirmation of or a request for approval of shared facilities or access.”
<p>Aged Receivables Report</p>	<p>The Seller must review and submit to Freddie Mac a report which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report should be dated as of the ending T-12 period for the current property financial statement submitted and must be certified by the Borrower via the Blanket Certification as complete and accurate.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u> See the Blanket Certification referenced below for instructions on preparing the certification of the Aged Receivables Report.</p>
<p>Appraisal</p>	<p>The Seller must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the Additional Appraisal Requirements Memorandum.</p> <p>The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.</p>
<p><u>Borrower and Key Borrower Principal Blanket Certification for property financial statements and rent rolls, Form 1112</u></p>	<p>The property financial statements, Aged Receivable Report(s), and the rent rolls must be certified through a Blanket Certification, which must bear the following statement, executed by an individual who is authorized to legally bind the Borrower:</p> <p><u>Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation:</u></p>



Document	Requirements
	<p>I hereby certify that the property financial statements and rent rolls are complete and accurate representations of the operating history of the [Property name] as of the date of the statements, and I am duly authorized to bind the Borrower to this certification."</p> <ul style="list-style-type: none"> Property Financial Statements (Historical and Budgeted) <p>Historical financial statement due dates: _____ Current financial statement due dates: _____ Borrower's budget financial statement dates: _____ Aged Receivables Report dates: _____</p> <ul style="list-style-type: none"> Rent roll dates: _____ <u>Roll</u> <p>Borrower: _____</p> <ul style="list-style-type: none"> Real Estate Schedule Financial Statement <p>[Signature] _____</p> <p>[Printed Name and Title of Signatory]</p> <ul style="list-style-type: none"> Monthly collections, if not submitted and certified by Form 1144, Verification of Collections The Blanket Certification is not required until due diligence is complete but it must be submitted prior to rate-lock. Other documentation, as applicable (i.e., Aged Receivable Report, liquidity verification documentation etc.) <p>Form 1112 must be completely populated, including an indicator for the document(s) being certified as well as the applicable date(s) of the document(s).</p> <p>The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.</p>
<p>Borrower Certificate and Key Borrower Principal Certificate, Form(s) 1115 –SBL</p>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with a Form 1115 –SBL, Borrower Certificate and Form 1115 –SBL, Key Borrower Principal Certificate,Form 1115, Borrower and Key Borrower Principal</p>



Document	Requirements
	<p>Certificate, executed by each individual Borrower or Key Borrower Principal, as applicable.</p> <p>Form(s) 1115–SBL Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals:</p> <ol style="list-style-type: none"> 1. Past mortgage payment and default experience 2. History of criminal, administrative, and/or litigation proceedings <p>Each Certificate must be dated not more than 60 days prior to the date the Seller submits the underwriting package to Freddie Mac (“Submission Date”).</p> <p>For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form(s) 1115 Form 1115. The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date.</p>
Borrower’s budgeted property financial statements	See “property financial statements.”
Breakdown of construction costs	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see “capital improvement documentation.”</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Calculation of prepayment premium	For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.
Capital improvement documentation	<p>The When required by Freddie Mac, the Seller must submit:</p> <ul style="list-style-type: none"> • For current or planned construction on the Property, a summary of all current or planned construction and the



Document	Requirements
	<p>projected costs of the construction</p> <ul style="list-style-type: none"> For any major past renovations, a summary of these renovations and documentation concerning the costs <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p>
<p>Certification — Organizational Chart, Form 1114</p>	<p>A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new Form 1114, Certification – Organizational Chart.</p>
<p>Certified Organizational Chart</p>	<p>An Organizational Chart that is certified using Certification – Organizational Chart, Form 1114.</p>
<p>Commercial lease documentation</p>	<p>The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.</p> <p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the residential and commercial lease portions of the Property’s income.</p> <p>The Seller must provide a completed Commercial Lease Analysis and Estoppel – SBL for each lease. If the income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac, Seller must have the tenant execute the estoppel portion of the Commercial Lease Analysis and Estoppel – SBL.</p> <p>The Commercial Leases Analysis and Estoppel – SBL form is available at mf.freddiemac.com.</p> <p>See Section 8SBL.11 for commercial lease SNDAs and subordinations; see Section 8SBL.2(b) for commercial use requirements.</p>
<p>Complete Borrower/Key Borrower Principal Due Diligence Package</p>	<p>A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115 – SBL, Borrower Certificate, and Form 1115 – SBL, Key Borrower Principal Certificate, as applicable <u>Form 1115, Borrower and Key Borrower Principal</u></p>



Document	Requirements
	<p>Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals and a credit report for Borrowers and Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and liquidity verification documentation, if applicable. It is submitted as part of the underwriting package to Freddie Mac.</p>
<p>Condominium Analysis</p>	<p>If the Property is subject to a condominium regime, the Seller must confirm in the Mortgage Transaction Narrative Analysis that the Borrower owns 100 percent of the real property that is subject to the Condominium regime.</p>
<p>Confirmation of compliance or a request for approval of shared facilities or access</p>	<p>If any on-site or off-site facilities or access are shared and if Freddie Mac requests a PLIM, the Seller must submit in a PLIM a confirmation that any such sharing arrangement meets the requirements of Section 8SBL.6.</p>
<p>Credit reports</p>	<p>The Seller must provide to Freddie Mac a current credit report on each Borrower and each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must</p> <ol style="list-style-type: none"> 1. Be reviewed by the Seller 2. Be issued by an independent credit reporting agency acceptable to Freddie Mac 3. Be dated within 60 days before delivery to Freddie Mac 4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings 5. List any other debts 6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records 7. Include FICO scores for Borrowers and Guarantors



Document	Requirements
Current property financial statements	See “property financial statements.”
Delegated property inspection letter	See “property inspection documentation.”
Document analysis by Single Counsel	The Seller must provide an analysis by Single Counsel of certain legal documents affecting the Property, as described in Section 6SBL.10.
Equity Conflict of Interest statement	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"> • With the full underwriting package, or • For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i>
Evidence of Insurance	<p>The Seller must submit the following to Freddie Mac to verify that the Property has, or will have as of the Freddie Mac Funding Date, adequate property damage and liability insurance as required by the Purchase and Servicing Documents:</p> <ul style="list-style-type: none"> • Fully completed Form 1133, Seller/Servicer Certification of Insurance Coverage, via the Insurance Compliance Tool (ICT) • The documents listed in Sections 31.20(a) and 31.20(b), as applicable <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p>
Evidence of Tax Abatement	<p>For Properties benefiting from real estate tax abatements, the Seller must provide a completed Tax Abatement/Exemption Analysis – SBL and documentation from the taxing authority or the governing body confirming:</p> <ul style="list-style-type: none"> • That the Property or the Borrower, as applicable, has qualified for the Tax Abatement



Document	Requirements
	<ul style="list-style-type: none"> • The amount of annual tax to be paid, if any • The term of the Tax Abatement • Any other requirements of the Tax Abatement <p>See Section I of the Tax Abatement/Exemption Analysis - SBL for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The Tax Abatement/Exemption Analysis - SBL is found on the legal document pages of mf.freddiemac.com.</p>
<p>Financial statements of Borrower and Key Borrower Principals – certified</p>	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p> <ul style="list-style-type: none"> • Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key Borrower Principal • Federal income tax returns for the Borrower for the most recent taxable year, if requested <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p> <p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"> • All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities



Document	Requirements
	<ul style="list-style-type: none"> All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation Any factors that may materially affect the Borrower or Key Borrower Principal’s financial position immediately or during the term of the Mortgage <p>The Seller must review the Borrower financial statements. Financial statements for which Freddie Mac requires certification must be certified in Form 1115 – SBL, Borrower Certificate and Form 1115 – SBL, Key Borrower Principal Certificate, as applicable, executed by an individual who is authorized to legally bind the Borrower or Key Borrower Principal.</p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p> <p><u>Non-profit Borrower or Key Borrower Principal</u> If the Borrower or Key Borrower Principal is a non-profit, the Seller must identify whether the non-profit Borrower’s or Key Borrower Principal’s primary funding sources are from fees on development projects or from competitive sources such as public funding, grants, gifts, or donations that may be subject to budget constraints.</p>
Financial statements – property	See “property financial statements.”
Flood zone determination (FZD)	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
Ground lease documentation	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all the following, with a copy of each to the applicable Single Counsel (see Chapter 30).</p> <ul style="list-style-type: none"> A copy of the ground lease and all existing amendments A summary by Single Counsel of any items from the Ground Lease Analysis form (available at mf.freddiemac.com/lenders/legal) that are not satisfied and the risks associated with each non-compliant item



Document	Requirements
	<ul style="list-style-type: none"> Written confirmation that the fee owner is willing to execute the Security Instrument to encumber its interest Any other items required by Chapter 30
Historical property financial statements	See “property financial statements.”
Housing Assistance Payments (HAP) contract -- Local	<p>The Seller must provide, if applicable:</p> <ul style="list-style-type: none"> Copies of the original contract along with all amendments and renewals, including evidence of the currently applicable unit rents approved by the local administering agency Summary of the contract terms by Single Counsel (see the Section 8 Housing Assistance Payments Contract Questionnaire, available at mf.freddie.mac.com, for guidance) <p>See “rent, income and use restriction documentation.”</p>
Land Use Restriction Agreement (LURA)/ regulatory agreement	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property, along with a Regulatory Agreement Questionnaire – SBL (available at mf.freddie.mac.com/lenders/legal).</p> <p>See also “rent, income and use restriction documentation.”</p>
Liquidity verification documentation	<p>Each Key Borrower Principal with Ultimate Control and each Guarantor who (i) is a First-Time Sponsor, or (ii) does not meet the requirements of Section 9SBL.2(c)(2), must provide bank or brokerage statements to validate the Liquidity reported in the certified financial statement.</p> <p>Each bank or brokerage statement must be certified and dated within 60 days of delivery of the full underwriting package.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>Liquidity verification for a Private Investment Fund that is also a First-Time sponsor or Limited Experience sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the</p>



Document	Requirements
	Borrower or Key Borrower Principal and must be certified using Form 1112 .
Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation	The Seller must provide a copy of: <ul style="list-style-type: none"> • The allocation letter • The Low-Income Housing Credit Allocation and Certification, IRS Form 8609, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service • The Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, IRS Form 8823, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code (IRC) §42 from both the property manager and the Borrower Principal. In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties. See also “rent, income and use restriction documentation.”
Management plan or management agreement	<ul style="list-style-type: none"> • The Seller must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage. • If the Property is managed by the Borrower or the Key Borrower Principal, the Seller must review the Borrower’s management plan. • If a management firm is managing the Property, the Seller must review a copy of the management agreement for the Property. • The management agreement must be terminable by the property owner upon not more than 30 days’ notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee.
Mortgage transaction narrative analysis	The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller's option) may be based



Document	Requirements
	<p>on the Mortgage Transaction Narrative Analysis – Best Practices.</p> <p>The mortgage transaction narrative analysis must contain the following:</p> <ol style="list-style-type: none"> 1. Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage 2. Property's physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages) 3. Property's financial analysis (profile and trend) 4. Evaluation of balloon risk that includes the Borrower's ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity 5. Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment 6. Market analysis (occupancy, supply and concessions) 7. History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds 8. Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including an estimate of the financial capacity of each (that is, estimated net worth, Liquidity and contingent liabilities) 9. An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor or a Limited Multifamily Experience Sponsor 10. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee 11. Review of third-party reports, including the Seller/Service's reviews of and comments on the Appraisal, environmental



Document	Requirements
	<p>and property condition reports (with full underwriting packages only)</p> <p>12. Loan history if there is an existing mortgage on the Property</p> <p>13. Proposed sources and uses of funds</p> <p>14. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or military population)</p> <p>15. Cash equity at risk</p> <p>16. Refinance Analysis on SBL Mortgages that are refinances exceeding the existing unpaid principal balance</p> <p>17. Any exception requests</p> <p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8SBL.15(a), as applicable.</p> <p><u>In addition to items 1 – 16 above, for a Mortgage securing a Property subject to a condominium regime:</u></p> <p>See “Condominium Analysis.”</p>
<p>Organizational Charts – Borrower, Guarantor (not in Borrower’s organizational structure), or Pre-Approved Transferee</p>	<p>For any entity that is a Borrower, or a Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity:</p> <ul style="list-style-type: none"> • With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust • That is a Non-U.S. Equity Holder



Document	Requirements
	<ul style="list-style-type: none"> For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer That directly or indirectly Controls Borrower, Guarantor not in Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>Single Counsel must review the Organizational Chart.</p> <p>See Guidance – Organizational Charts at mf.freddiemac.com/lenders/uw.</p>
Payroll schedule	<p>The Seller must provide a current schedule of payroll expenses associated with the operation of the on-site leadership team at the Property, including salary, wages, bonuses, net pay and deductions.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Physical Risk Report	<p>See SBL Physical Risk Report, Form 1104.</p>
Preliminary legal issues memorandum (PLIM)	<p>The Seller must submit to Freddie Mac a preliminary legal issues memorandum meeting the requirements of Section 6SBL.7, if required for a specified issue.</p>
Property financial statements	<p>The Seller must provide to Freddie Mac financial statements for the Property as followsspecified below:</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"> Historical property financial statements



Document	Requirements
	<p>The Seller/Servicer must submit a certified operating statement that includes the prior three full years. However, if a Year 3 statement is not available, the Seller/Servicer must submit</p> <ul style="list-style-type: none"> ○ Year 1 back statement, and ○ Year 2 back statement, if available ○ Current property financial statements (T-12 format or YTD) <p>Freddie Mac strongly prefers the Seller/Servicer to submit a T-12 operating statement. However, if a T-12 operating statement is not available, the Seller/Servicer must submit a YTD statement.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"> ○ Monthly Collections <p>Six months trailing monthly property collections are required if the loan request is a refinance. Three months trailing monthly property collections are required if the loan request is an acquisition.</p> <p>As applicable, the aforementioned collections will either be covered by Form 1144, Verification of Collections, or via the Form 1112.</p> <ul style="list-style-type: none"> ○ Borrower’s budgeted property financial statements <p>The Borrower’s budget for the following 12-month period, certified by the Borrower as complete and accurate via the Blanket Certification, if available.</p> <p>The document(s) must be certified using Form 1112.</p> <p>The Seller must review the property financial statements, which must include income and expense statements.</p>



Document	Requirements
	<p>See the Blanket Certification for instructions on preparing the certification of the property financial statements.</p> <p>If the financial statements are audited, they must include a statement of changes in financial position and all notes.</p>
<p>Property inspection and Lease Audit documentation</p>	<p>At full underwriting, the Seller must complete and document the property inspection described in 8SBL.15.</p> <p>The inspection requirements must be completed within <u>12090</u> days of Freddie Mac’s receipt of the applicable underwriting package.</p> <p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form.</p> <p>If the Seller inspection is not on the same day as the inspection for either the Appraisal and/or the Physical Risk Report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p> <p>See Section 8SBL.15 for additional information regarding property inspection requirements.</p>
<p>Purchase agreement documentation</p>	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"> • A copy of the purchase agreement and all amendments • An analysis of the purchase agreement and all amendments by Single Counsel using the Purchase Agreement Analysis form <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>
<p>Real Estate Schedule, Form 1116</p>	<p>The Seller must provide to Freddie Mac a Form 1116, Real Estate Schedule, for all real estate in which any Key Borrower Principal that is not newly formed currently has a direct or indirect interest.</p>



Document	Requirements
	<p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p> <ul style="list-style-type: none"> • Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following: <ul style="list-style-type: none"> ○ The full recourse obligation to the lender, including the entire amount of joint and several guarantees ○ For loans on properties under construction, the loan amount drawn to date and the as-is value • Provide a written explanation of any non-performing assets in its portfolio • State whether the Key Borrower Principal owns other properties in the market where the Property is located <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p>
Real estate tax bill	<p>If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property's local taxing authority.</p>
Registration of rental units (rent regulation/rent control/stabilization)	<p>The Seller must provide to Freddie Mac proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property. Freddie Mac may require similar proof of compliance with such requirements for prior years and may require other evidence of compliance with State or local rent control or stabilization laws in other States.</p>
Rent, income and use restriction documentation	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p> <p>If applicable, see also:</p>



Document	Requirements
	<ul style="list-style-type: none"> • Land Use Restriction Agreement (LURA)/Regulatory Agreement (for LIHTC) • Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation • Housing Assistance Payments (HAP) - Local contract • Registration of rental units (rent control/stabilization)
<p>Refinance Analysis</p>	<p>If applicable, the following documentation may be required for SBL Mortgages that are refinances exceeding the existing unpaid principal balance:</p> <ul style="list-style-type: none"> • Refinance Analysis • Three months of bank statements showing rental deposits • Rent roll verifying net residential income (NRI) growth • Evidence of capital expenditures completed or construction, including: <ul style="list-style-type: none"> ○ Photos ○ Schedule of completion ○ Paid receipts/contracts ○ Building permits ○ Post-completion inspection reports ○ Additional evidence required by Lender
<p>Rent roll</p>	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at https://mf.freddiemac.com/docs/rent_roll_template.xls.</p> <ul style="list-style-type: none"> • Is dated within 30 days of the underwriting package submission • Is complete with respect to the required information below for each unit: <ol style="list-style-type: none"> <u>1.</u> 1. <u>“As of” date of the rent roll clearly indicated within the document</u> <u>2.</u> 1. <u>Tenant's name(s)</u> <u>3.</u> 2. <u>Unit number or identification</u>



Document	Requirements
	<p> <u>4.</u> 3. Unit type (number of bedrooms and bathrooms) <u>5.</u> 4. Square footage of each unit <u>6.</u> 5. Occupancy status by unit <u>7.</u> 6. Identification of any employee units, model units, corporate units and units used as rental offices <u>8.</u> 7. Monthly contract rent <u>9.</u> 8. Concessions, rebates or discounts given to tenant, if applicable <u>10.</u> 9. Arrearages owed by tenant, if any <u>11.</u> 10. Subsidies, if applicable (specify type) <u>12.</u> 11. Rent controlled or rent stabilized, if applicable <u>13.</u> 12. Original occupancy date, per tenant <u>14.</u> 13. Lease commencement date <u>15.</u> 14. Lease expiration date and renewal options, if any <u>16.</u> 15. Month-to-month status, per tenant <u>17.</u> 16. Amount of security deposit held <u>18.</u> 17. Furnished or unfurnished status </p> <p><u>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</u></p>
Residential lease sample	Freddie Mac requires the property inspector to upload, to DMS as part of the required Property inspection documentation, a sample or unexecuted residential lease or an executed residential lease.
SBL Physical Risk Report – Form 1104	Seller must provide to Freddie Mac a completed Form 1104, SBL Physical Risk Report, meeting the requirements of Chapter 62SBL.
Seismic risk documentation	If a Property is in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64SBL.2(b), as applicable. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary.
Seller's mortgage loan application with Borrower	Seller must provide to Freddie Mac a copy of the mortgage loan application executed by the Borrower and submitted to the



Document	Requirements
	<p>Seller. The application must evidence all material terms of the proposed mortgage financing.</p> <p>The mortgage loan application must include the following authorization by the Borrower:</p> <p>“The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the "Mortgage") to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p> <p>The mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"> • “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial statements from the Borrower outlining the Property’s financial performance.” • “The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac’s portfolio.”
<p>Seller's pro forma property financial statements</p>	<p>The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>
<p>Sources and uses</p>	<p>The Seller must provide details about a transaction’s cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>For SBL Mortgages that are refinances exceeding the existing unpaid principal balance, the sources and uses must include the existing debt and prepayment premiums or penalties associated with the existing loan payoff. Verification to support this request</p>



Document	Requirements
	is required and can be in the form of a mortgage payoff or mortgage statement.
Student Housing Questionnaire, Form 1120	The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire, for each Property where the concentration of graduate and undergraduate Students is greater than 25 percent.
Verification of Collections, Form 1144	The Seller must provide to Freddie Mac Form 1144, Verification of Collections, completed and certified by the Borrower or Key Borrower Principal. The last full month of verified collections must be dated within 30 days of package submission, unless otherwise specified by Freddie Mac. In lieu of a Form 1144, the Borrower may provide certified operating statements for the most recent three months.
Zoning documentation	See Section 8SBL.5 for complete requirements.

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Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 55SBL - SBL Documentation and Deliveries GB-04-18-24.docx	
Modified filename: 55SBL - SBL Documentation and Deliveries GB-06-13-24.docx	
Changes:	
<u>Add</u>	101
Delete	60
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	161

Multifamily Seller/Service Guide

Chapter 60

Appraiser and Appraisal Requirements



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60.1 General requirements; Additional Requirements (04/18/24)

For all multifamily purchase programs and products, the Seller/Servicer must submit a written Appraisal on the Property with the full underwriting package submission or in connection with certain Special Servicing requests.

a. Appraisal requirements (04/18/24)

Freddie Mac requires that the Appraisal be in a narrative format. The Appraisal must be ordered by the Seller/Servicer and it must be completed by and signed by an appraiser approved by the Seller/Servicer. Freddie Mac will not accept Appraisals ordered by and/or prepared for anyone other than the Seller/Servicer.

To support Freddie Mac's evaluation of the Loan, Freddie Mac requires that the Appraisal contain transparent data analysis in a concise but comprehensive report format. It is important that Freddie Mac receive only quality Appraisals and analyses, supported by the Seller/Servicer's selection of well-qualified appraisers and the Seller/Servicer's critical review of the appraiser's Appraisals.

Note, effective for Mortgages 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 Memorandum* and the requirements of this chapter, the provisions of the *Additional Appraisal Requirements Memorandum* govern.

b. Purpose of Appraisal (04/18/24)

Appraisals must estimate the as-is leased fee market value of the Property ("leased fee" as defined in the current edition of *The Appraisal of Real Estate*, published by the Appraisal Institute) as of the effective date of the Appraisal, subject to stated assumptions and limiting conditions. The as-is leasehold value of the Property (defined in *The Appraisal of Real Estate*) must be estimated if the ownership of the Property is subject to a ground lease. Although other valuation scenarios may be appropriate for a particular Appraisal, at minimum, all Appraisals must provide an as-is estimate of market value.

In addition, for transactions involving affordable housing Mortgages and Targeted Affordable Housing (TAH) Mortgages, Freddie Mac requires the additional values outlined in Section 60.24, items 5-8.

60.2 Appraiser Independence Requirements (04/18/2406/13/24)

The Freddie Mac Appraiser Independence Requirements provided in this chapter herein set forth standards to safeguard the independence, objectivity and impartiality of appraisers and other Independent Parties (as defined below) throughout the valuation process. The valuation process must not be directed or influenced in any way by Conflicted Appraisal Parties (as defined below). Compliance with these Appraiser Independence Requirements is the responsibility of the Seller/Servicer.

For purposes of these Appraiser Independence Requirements, the term "Independent Party" refers to the appraisal company, any entity or person related to the appraiser, appraisal company, or any other party that is part of the appraisal process.



For the purposes of these Appraiser Independence Requirements, the term “Conflicted Appraisal Parties” refers to:

- All members of the Seller/Servicer’s Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
- Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including but not limited to, mortgage brokers, loan production staff and real estate agents.

Seller/Servicer personnel involved in the underwriting, credit risk management or closing of the Mortgage who are not under the supervision of production or loan origination staff are not considered Conflicted Appraisal Parties.

For purposes of this chapter, any reference to Independent Parties or Conflicted Appraisal Parties will be deemed to include any Freddie Mac employee or contractor.

a. General requirements (04/18/24)

No person is allowed to influence or attempt to influence the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:

1. Withholding or threatening to withhold timely full or partial payment to an Independent Party;
2. Withholding or threatening to withhold future business from or demoting or terminating or threatening to demote or terminate an Independent Party;
3. Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;
4. Conditioning the ordering of an Appraisal or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;
5. Requesting from or providing to an Independent Party any of the following:
 - Comparable sales prior to engaging the Independent Party to perform an Appraisal;
 - An anticipated, estimated, encouraged, or desired value or value range for the Property, with the exception that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an Appraisal;
 - An anticipated, estimated, encouraged, or desired targeted loan ratio (i.e., debt coverage ratio, loan to value, etc.), expense conclusions or income conclusions;
6. Providing stock or other financial or non-financial benefits to an Independent Party or any entity or person related to the Independent Party;



7. Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform Appraisals for specific loan production staff, loan officer or mortgage broker, except as otherwise provided in subsection b.5 below;
8. Directing an Independent Party to perform an Appraisal using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or
9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, impartiality or compliance with any law or regulation, including, but not limited to, the Truth-in-Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

b. Independent Party engagement (06/13/24)

Sections 60.2(b)1, 2, 3 and 5 below may be implemented immediately but are only required for loans taken under Seller Application as of September 2, 2024.

1. The Seller/Servicer must separate its sales and Mortgage origination functions from its appraisal functions. An agent or employee of the Seller/Servicer involved in the Seller/Servicer's sales or Mortgage origination function must not be involved in the operations of the Seller/Servicer's appraisal functions.

If absolute lines of independence between the Seller/Servicer's appraisal functions and its Mortgage origination process cannot be achieved due to staffing limitations, the Seller/Servicer must clearly demonstrate within its written policies that it has prudent safeguards in place to isolate its appraisal functions from influence or interference by its Mortgage origination process.

2. Conflicted Appraisal Parties are prohibited from:

- Ordering, managing, or defining the scope of work for an Appraisal;
- Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular Appraisal or for inclusion on a list or panel of appraisers approved or forbidden to perform Appraisals for the Seller/Servicer; or
- Having any substantive communications with an appraiser relating to or having an impact on valuation

Notwithstanding the foregoing, any party, including any Conflicted Appraisal Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.

3. Any person involved in substantive Appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must be appropriately trained and qualified in Appraisals.
4. 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.

5. 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 loans taken under Seller Application as of September 2, 2024.

1. If the Seller/Servicer has a reasonable basis to believe an Independent Party is violating State licensing requirements, applicable laws or is otherwise engaging in unethical conduct, the Seller/Servicer must promptly refer the matter to Freddie Mac and the applicable State appraiser certifying and licensing agency or other regulatory body.
2. The Seller/Servicers engagement for Appraisals with Independent Parties must provide a notice that if the Independent Party has a reasonable basis to believe a Conflicted Appraisal Party or Seller/Servicer is violating Appraiser Independence Requirements, the Independent Party must promptly refer the matter to either the Freddie Mac *Investigation Unit* or the *Multifamily Appraisals* team.

d. Compliance; Policies (06/13/24)

This Section 60.2(d) may be implemented immediately but is only required for 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 provider 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/Service provider must contact the *Applicable Freddie Mac Multifamily Regional Office* for instructions. The TAH Seller/Service provider 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, 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 certification and signatures (06/16/22)

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. Signing the Appraisal (10/14/16)

For all Properties, at least one of the persons signing the Appraisal must meet all of the following requirements:

- Comply with all of the requirements in this chapter including 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 (except for the appraisal trainee co-signer)
- Accept full responsibility for the contents, analyses and conclusions of the Appraisal

With the exception of appraisal trainees, each person signing the appraisal report and/or the Appraisal's Certification must be a General Certified Appraiser in the State in which the Property is located and, by signing the Appraisal, accepts full responsibility for the contents, analyses and conclusions of the Appraisal.

Refer to Section 60.4(b) for requirements regarding the co-signing of an Appraisal by an appraisal trainee.

60.6 Information provided to appraiser by the Seller/Servicer (09/30/20)

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 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 29.3)
- 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 29.5)
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/Service's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the environmental report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

8. Copy of ground leases, if applicable
9. Copy of current sales contracts, if applicable
10. Final architectural plans and specifications, if the Property is to be built
11. Copies of shared access agreements or easements
12. Regulatory agreements such as HAP contracts or other agreements that might affect the Property's rents or expenses
13. For SBL Properties, evidence of capital expenditures or construction costs as described in Section 55SBL.2
14. Any other information that the Seller/Service knows may affect the value of the Property

60.7 Seller/Service supervision of appraisers (09/28/18)

The Seller/Service must evaluate and select appraisers based on qualifications and quality of the appraisal product. The Seller/Service 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/Servicever verified the experience information provided by the appraiser to the Seller/Servicever.

The Seller/Servicever must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Servicever identifies a problem area, the Seller/Servicever must take appropriate action to correct the problem. The Seller/Servicever 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.freddie.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 Updated Appraisals (09/28/18)

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 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 loan origination in the Targeted Affordable Housing Express (TAHX) program and with an appraisal effective date of value on or after August 1, 2019 must be 75 pages or less. Addenda to these appraisal reports are not included in the 75-page count.

The page count for SBL and TAHX Appraisals begins with the Title Page of the report and ends with the page prior to the Addenda of the appraisal report.

Addenda material can include:

- Insurable value



- Assumptions and Limiting Conditions
- Appraiser’s Certification / Signature
- Subject Photos
- Comparable sales outlines
- Comparable rental outlines
- Rent roll
- Historical financials
- Floor plans
- Site plans / Plat / Survey
- Qualifications of the appraiser and state Certification certificate
- Engagement letter

The Seller/Servicer may contract with the appraiser for an SBL Appraisal that is exempt from the 50-page length limitation or for a TAHX Appraisal that is exempt from the 75-page length limitation under limited circumstances, such as when:

- The Property is located in a tertiary market which requires additional discussion by the appraiser
- The Property has substantial repairs that need to be evaluated and discussed by the appraiser
- There are environmental issues reported by the third-party consultant that need to be evaluated and discussed by the appraiser

If the page-length limit is exceeded, Form 6011, Waiver of the Page Limit for SBL and TAHX Appraisals, executed by Seller/Servicer’s Chief Underwriter or Deputy Chief Underwriter, must be submitted with the Appraisal in the underwriting package. The Seller/Servicer must also upload the completed Form to the Third-Party Report section of Freddie Mac’s Document Management System (DMS).

Regardless of the report format, the appraiser must comply with all applicable Freddie Mac, federal, and State appraisal development and reporting requirements.

60.12 Appraisals (04/18/24)

When the Seller/Servicer delivers an Appraisal to Freddie Mac, the Seller/Servicer is deemed to make the warranties regarding the Appraisal set forth in Section 5.4. The Seller/Servicer must review each Appraisal in detail for its completeness, accuracy, appraising logic and adherence to the requirements of this chapter. The Seller/Servicer must ensure that the Appraisal submitted to Freddie Mac incorporates corrections and/or resolution of any material errors or omissions found



during the Seller/Servicer's review of the Appraisal. If required by Freddie Mac, the Seller/Servicer must provide to Freddie Mac a copy of its review of the Appraisal concurrent with the transmittal of the Appraisal to Freddie Mac.

Each Appraisal must:

- Comply with and state its compliance with the USPAP in effect as of the date of the Appraisal
- Comply with and state its compliance with the current version of the FIRREA, including its Title XI regulations
- Disclose any steps taken by the appraiser to comply with the competency provision of the USPAP, if required; and
- Specifically disclose any extraordinary assumptions and/or hypothetical conditions, or explicitly state the lack of any such conditions

The Seller/Servicer must direct the appraiser to include the following language verbatim in the letter of transmittal above the appraiser's signature and/or on the appraiser's Certification page above the appraiser's signature:

"This report is for the use and benefit of, and may be relied upon by,

- a) the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");
- b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c) governmental agencies having regulatory authority over Lender;
- d) designated persons pursuant to an order or legal process of any court or governmental agency;
- e) prospective purchasers of the Mortgage; and
- f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency; and



- any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

The appraiser must perform the functions stated in this section and in Sections 60.13 through 60.19 to ensure the completeness of each Appraisal.

a. Completeness (06/16/22)

The Appraisal must adequately describe the geographic area, neighborhood, rental competition, sales comparables, site and improvements. Generally, regardless of report format, the Appraisal must demonstrate a market value supported by the reconciliation of the three recognized approaches to value: Income Approach, Sales Comparison Approach, and Cost Approach.

For appraisals submitted to Freddie Mac for loan origination in the Small Balance Loan (SBL) program, if the Property is more than five years old, the appraiser must include both the Income Approach and Sales Comparison Approach. However, Freddie Mac will not require a Cost Approach or a separate analysis of land value.

For all other Properties, the appraiser must thoroughly explain and support the exclusion of any of the three approaches to value.

If the Property is not operating at stabilized operations, appropriate consideration must be given in each of the approaches to value.

The appraiser must consider, analyze and report all information that appropriately and lawfully influences value even if not specifically requested by the Seller/Servicer or, Freddie Mac.

b. Inspection (04/18/24)

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

At least one appraiser signing the report must have made both an interior and exterior inspection of the Property. The interior inspection must include interior common areas, community amenities, a sample of unit interiors and commercial suites. In addition to exterior inspections of residential units, the exterior inspection must also include any accessible areas that are subject to nonresidential leases as defined in Section 8.11(a) and Section 8SBL.11(a).

Since the Seller/Servicer’s delivery of the property condition report and environmental report to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13 for a description of these circumstances), it is important that the appraiser’s inspection of the



Property be sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the Appraisal's discussion, analyses, and valuation conclusion.

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

- A minimum of two units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 5 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

2. For Properties with 25 to 50 units, the appraiser must inspect:

- A minimum of three units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than five residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

3. For Properties with more than 50 units, the appraiser must inspect:

- A minimum of five units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- At least one unit of each unit type and comment on the marketability of each unit type's floor plan, design, layout, amenities, and level of finish



- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 15 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

4. The Appraisal must identify the specific units inspected and into which category each unit falls.
5. For SBL Properties, the appraiser must inspect the improvements (if able to be visually inspected) and report if they are generally aligned with evidence of capital expenditures or construction provided by the Seller.
6. The appraiser must report any physical condition concerns with the Property's land or improvements observed during the appraiser's inspection of the Property or known to the appraiser.
7. The appraiser must report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
8. It is not acceptable for the appraiser to merely state that the appraiser did not notice any physical and/or environmental issues during their inspection; the appraiser must discuss the extent of the appraiser's inspection for these issues.
9. Appraisers must report the extent of their due diligence and describe their environmental observations, analysis and conclusions in the Appraisal. It is not acceptable for the appraiser to only state that the appraiser is not qualified to detect environmental issues and thus has made no observations during their physical inspection of the Property.

c. Tax information (07/01/14)

The appraiser must consider, analyze and report property tax and assessment requirements of the jurisdiction where the Property is located. The appraiser must verify that the Property has been fully or partially assessed and provide the most recent assessment date and the next scheduled assessment date of the Property. The appraiser must consider, analyze, adequately support and report any effect on value due to future scheduled assessments, property tax abatements or other property tax benefits.

Property tax comparables must be part of the discussion of the Property's appropriate level of tax liability. The appraiser should identify the taxing jurisdiction of each of the property tax comparables and include in the discussion any differences in valuation methodology, tax rates, and/or reassessment schedules between these and the Property's taxing jurisdiction.

The risk of the Property's reassessment must be considered and appropriately analyzed and reported. Any adjustment to the capitalization rate must have adequate support and discussion.



d. Sales and other concessions (09/28/18)

- 1) The Seller/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 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)			
Category	Actual	Required	Conforming Status
Current use			



Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
Additional Zoning Compliance Information (if a survey or other materials are available):			
Minimum Lot Width/Frontage			
Maximum Height			
Setbacks:			
Front/Street			
Side			
Rear			
Landscape buffers			
Appraiser's Conclusion on Conformity:			
Other information pertinent to the Property's zoning classification:			
Reconstruction clause, including rebuildability threshold:			

If the Property is legally non-conforming or illegal, the appraiser must discuss whether the subject can be rebuilt to its current configuration and, if not, analyze the effect on market value in the Sales Comparison Approach, the Cost Approach, and in the Income Approach. If the Property is not subject to a rebuildability requirement, the appraiser must state so.

60.13 Environmental reports (12/14/23)

The appraiser must consider how the results of the environmental report or the appraiser's observations during the property inspection affect the value of the Property.

If there are issues identified by the environmental consultant that could materially affect the value of the Property, then prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac, the Seller/Service must provide the appraiser with the environmental report ordered by the Seller/Service as part of the loan transaction process and any other environmental reports on the Property retained by the Seller/Service. For expediency, the environmental report can be delivered to the appraiser in draft form, as long as the appraiser notes in the appraisal report that the appraiser was provided with a draft. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.



The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address an environmental issue, the appraiser must still consider that issue's effect on market value. The availability of cash to the Property owner to correct an environmental issue should not affect the Property's market value.

If provided with a third-party environmental report, the appraiser must:

- Identify the environmental consulting firm that prepared the report and the effective date of the report, and whether it was a final version or draft
- Report the conclusions and recommendations of the environmental report
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property
- Report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
- Analyze and discuss how the identified environmental conditions affect the value and marketability of the Property based on market data relating to increased risk and uncertainty, environmental stigma, reduced occupancy and rent levels, limitations on property use, cost of remediation, and any other relevant characteristics or environmental risk factors.

If not provided with a third-party environmental report, the appraiser must do all of the following:

- Apply the observations regarding environmental issues from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the impact or non-impact on value of an identified environmental issue. If there is an issue identified in the environmental report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser must discuss why it has drawn that conclusion.

60.14 Valuation methodology (04/18/24)

Since the Appraisal must, at minimum, estimate the as-is leased fee market value of the Property, appropriate adjustments are required to any analysis of fee simple data within the Appraisal. Examples include:

- Capitalization rates extracted from comparable sales must be consistently applied to the Property based upon actual or pro forma income. When appropriate, an adjustment must be made to reflect the Property's leased fee ownership interests being appraised.
- The traditional Cost Approach is typically developed as a fee simple value; as such, the methodology must be appropriately adjusted to reflect the Property's leased fee ownership



interest.

- An analysis with 100 percent market rents, without consideration of the Property's actual in-place rents, is not a leased fee value estimate [see Section 60.14(c)].

a. Cost approach (07/01/14)

If developed, the cost approach conclusion must reflect the leased fee ownership interest in the Property (or leasehold interest if the Property is subject to a ground lease), and the appraiser must include proper adjustments for any items adverse to the Property's marketability, such as deferred maintenance, physical deterioration and functional and economic obsolescence. The Appraiser must specifically describe the estimates of accrued depreciation and entrepreneurial profit. The estimated land value must indicate the market value of the land, recognizing its highest and best use.

If the cost approach is omitted in the Appraisal, the appraiser must adequately provide a Property-specific explanation for its omission. Generic statements such as "investors typically do not consider the cost approach when they purchase this type of property" or "there is difficulty estimating depreciation due to current market conditions" are not acceptable and miss the point of the benefits of a cost approach analysis.

If the appraiser uses cost comparables as part of the estimate of replacement cost, it must include sufficient descriptions including, where appropriate, a photograph of the comparable properties to allow the reader of the Appraisal to adequately understand the construction similarities between those comparables and the Property.

b. Sales comparison approach (04/18/24)

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

The appraiser must support the value indicated by the sales comparison approach by analyzing the sales of at least four comparable properties.

The appraiser may use the Property as a comparable sale as long as the appraiser provides four additional comparables to the Property.

The sales comparables must be physically and locationally similar to the Property and must have been sold recently. The appraiser must make proper adjustments, when necessary, to the sales comparables for such items as real property rights conveyed, financing terms, conditions of sale, date of sale, location, physical characteristics and amenities. The appraiser must adequately explain those adjustments.

If there is an absence of recent comparable improved sales, the appraiser must consider that absence in estimating the market value. Current contracts and competitive property listings can be helpful to round out the appraiser's analysis if they are indicative of the state of the current market. The weight given to a contract or listing might be different from the weight given to the actual sales transactions, and the appraiser must discuss these differences in the Appraisal.



For each comparable used, the appraiser must identify the primary data source(s) used to verify comparable sales data, for example, whether the comparable property's financial and transaction information was gathered as part of the site visit or obtained from an earlier written appraisal by the appraiser's firm, a sales brochure, an individual associated with the sale, or a combination of sources. If the appraiser obtained the comparable property's information from an individual, the appraiser must identify the name, company and title of the individual, if available.

The appraiser may use a multiplier, either a potential gross rent multiplier or an effective gross income multiplier if the multiplier is customarily used in the Property's market area. The appraiser must derive the multiplier from recent sales of comparable properties in the market area of the Property. The appraiser must properly analyze the multiplier based on the overall quality and reliability of the gross income the Property has produced or is reasonably expected to produce. If the appraiser develops a valuation from a multiplier analysis, it should be reported in the Income Approach (See Income Approach requirements in Section 60.14(c) for additional information.).

The appraiser must not apply an adjustment to the comparable sales for differential net operating income or develop a net income multiplier for the sales since these methodologies duplicate the techniques or value indicators used in direct capitalization in the Income Approach. The Sales Comparison Approach must focus on similarities and differences that affect value, which may include variations in property rights, financing terms, market conditions, and physical characteristics and the causes of income variation, not just that net operating income of the comparable is different than the Property's (either on a per-unit basis or applying a net income multiplier). The appraiser must discuss and adjust for the causes of the differences in NOI, not just note that a difference exists.

The appraiser must refrain from adjusting the comparable properties' sale prices for expenses, costs, or renovation that are to be incurred by the buyer after the date of the sale transaction since these costs and expenditures are not typically part of the transaction/consideration price for the property.

c. Income approach (04/18/22)

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

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

1. The forecasted gross income must consider historical rents of the Property, current rents of the Property and rents currently obtained from comparable units (similar in amenities, location, size, type, style and quality) adjusted for market concessions, rent abatements, discounts and the like. The influence and limitations of rent control, rental concessions, historical trends and other relevant factors must be reviewed and analyzed relative to the forecasted gross income of the Property.

The appraiser must analyze and discuss the difference, if any, between the Property's actual recent contract rents and the appraiser's estimate of the Property's market rents, and their impact on the leased fee value of the Property. If the appraiser's estimate of



market rent is dissimilar to the recent leasing at the Property, the appraiser must provide an adequate discussion and explanation of the variance.

2. The estimated vacancy and collection loss must consider historical data of the Property, current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.
3. The forecasted expenses and Replacement Reserves must be comparable with the historical data of the Property and comparable with known and verified expenses in the market area, measured, at a minimum, on a per-unit basis and as a percentage of effective gross income. The identification of the expense comparables must include, at minimum, the comparable property's number of units, the age of the Property (year built and/or renovated), its physical condition, its location and the time period indicated by the expenses. The forecasted expenses and Replacement Reserves must consider future changes in expense or reserve levels.
4. The Capitalization Rate must be based on factors reflecting the investment characteristics of typically knowledgeable investors for properties similar to the Property.

The appraiser must develop the Capitalization Rate using each of the following techniques, if practicable:

- Extraction from comparable sales with analysis of the comparables' variations, if any, from the Property's economic and physical characteristics. Capitalization rates extracted by pro forma income or with actual income must be reconciled consistently with the appraiser's estimate of the Property's income.
- Published sources (preferably more than one published data source, and preferably a source that focuses on the Property's local market, not general national data).
- Personal surveys and interviews with market participants, with date of survey and names/titles of the individuals surveyed.
- Band of Investment model (also known as mortgage equity technique) with specific reference to the sources of the financial data assumptions.
- Debt coverage ratio model - with specific reference to the sources of the financial data assumptions.
- For Appraisals submitted to Freddie Mac for loan origination in the Small Balance Loan (SBL) program, the capitalization rate must be supported with comparable sales and with the appraiser's survey/interviews of local real estate participants for knowledge of the Property's submarket and investment considerations. These surveys and/or interviews should be documented with the date of survey (month/year is sufficient) and if not confidential, the name, title, and company of the individual surveyed or interviewed. If these items are confidential, the appraiser must provide a description of the position or background of the individual in the Appraisal report.

Development of capitalization rates from Ackerson or Ellwood methodologies is not appropriate for Appraisals for Freddie Mac.



5. When a multiplier analysis is developed, the appraiser should adequately analyze and discuss the comparability of the comparable sales' multipliers in terms of expense ratios and expenses per unit. Additionally, comparability of operating expenses should be analyzed and discussed both with and without inclusion of real estate taxes since taxes may vary materially between the Property's taxing jurisdiction and that of the comparable sale. This variability may have a material effect on the observed multiplier and comparability with the Property.

The development of a multiplier analysis for the valuation of the Property does not exempt the appraiser from adequately analyzing and discussing the Property's operating expenses as required by Section 60.14(c)(3).

For Properties with more than 30 units, a multiplier analysis is not recommended; the appraiser should develop a direct capitalization approach.

A net operating income multiplier is not acceptable.

6. A discounted cash flow analysis (DCF) is typically redundant and not required in the development of the income approach for a multifamily property unless the Property is not functioning at stabilized operations and/or occupancy.
 - If developed, the cash flow period for the DCF must reflect the period necessary to achieve stabilized operations, unless local practice dictates otherwise, and may be developed with monthly, quarterly, or annual cash flows, depending on the time period of unstabilized property operations
 - In lieu of, or as a supplement to, a DCF analysis for an unstabilized property, the appraiser can consider the present value of lost revenue, operating expenses, and necessary repairs, renovations, alterations as adjustments to value
 - Key assumptions used to develop the DCF must be adequately discussed and supported in the Appraisal including rent and expense changes, discount rate, reversion capitalization rate, and absorption period
7. In the Income Approach, the value can be developed with either a gross income analysis or direct capitalization analysis; it is not a requirement to include both methodologies in an Appraisal report.

60.15 Area information (06/16/22)

The appraiser must report and accurately explain appropriate and lawful positive or negative factors about the Property's neighborhood, including all relevant adverse influences that affect the Property's market value.

The appraiser must

- Consider, analyze and report current and prospective regional economic trends, such as population, employment concentration and diversification, changes in supply and demand, and housing development
- Explain how regional economic trends affect appraised value



In describing the Property's market, the appraiser should emphasize the Property's neighborhood and submarket influences. Regional, State, and metropolitan market descriptions are not necessary for Appraisals submitted to Freddie Mac for 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 loan origination in the Small Balance Loan (SBL) program, the depth and detail of information required in this section may not be available to the appraiser. In these instances, the appraiser must use its best efforts to comply with the intent and scope of this section. If the appraiser varies from the requirements of this section, there must be an explanation of the variance in the Appraisal Report.

For all Properties that contain commercial space, the appraiser must segregate rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to commercial rental space from rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to residential rental space. If the appraiser is unable to segregate commercial space and residential rental space, the appraiser must explain why the space cannot be segregated. Separate values for the commercial space and residential space are not required but must be provided if the commercial space can be marketed and sold separately from the residential space.

The appraiser must provide data that support the appraiser's estimate of the property's commercial vacancy rate, a discussion of tenant rollover risk, and cost of tenant improvements to re-lease the space.

60.20 Attachments to the Appraisal (09/28/18)

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 29.3)
 7. A survey or recorded plat of the Property, if available (see Section 29.5)
 8. If the Property is subject to ground leases, a copy of all ground leases
 9. Any other information that ensures the completeness of the Appraisal
 10. The appraiser's qualifications and the supervising or review appraiser's qualifications
 11. A copy of the complete, signed engagement letter and a copy of any other communications about the scope of the Appraisal between the appraiser and the Seller/Service

Freddie Mac will also accept a market study incorporated into the Appraisal.

60.21 Insurable value (07/01/14)

Insurable value must be provided in all Appraisals.

The Replacement Cost is the cost to reconstruct a Property of an equal number of units with equal quality of building materials with equal utility that would be acceptable to the typical investor and tenant in the market in which the Property is located. Replacement Cost is not the cost to construct a replica of the Property.

For insurance purposes, the Replacement Cost may not include goodwill or other intangibles such as value/cost of the land, a deduction for depreciation, cost of site improvements, (e.g., driveways, parking lots, sidewalks, or landscaping), or cost to reconstruct the foundation(s).

60.22 Student Housing Appraisal requirements (06/16/22)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Student Housing Properties. The Appraisal must be prepared by an appraiser who has experience in valuing Student Housing Properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must consider the following:

- Trends in student population or enrollment,



- Changes in the supply of on- or off-campus housing, whether sponsored by the school or planned and built by private developers (such as dormitories, for-profit or not-for-profit apartments, and fraternity or sorority housing),
- Distance from the Student Housing Property to the school, and available transportation,
- Any school policies affecting student residency (for example, requirements for freshmen and sophomores to live on campus), and
- Changes to school-sponsored amenities, whether on- or off-campus.

Freddie Mac requires the use of comparable properties that were purchased, developed or leased for student housing. If comparable student housing properties are not available in the local market, the appraiser may use comparable regional student housing properties. The appraiser must evaluate the comparable property and the school it serves with the Student Housing Property based on the factors described above: student population trends, supply of student housing, distance and transportation between school and housing, amenities, school policies affecting student residency and so forth. These requirements apply to building sales, land sales and rental comparables.

If comparable local or regional student housing properties are not available, non-student housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-student housing to the Student Housing Property.

60.23 Collateral evaluation for tax abatement (07/01/14)

For all Appraisals of a Property with a tax abatement, the preferred Freddie Mac valuation methodology is as follows:

- First, full, stabilized real estate taxes are used to calculate the NOI that is used to determine the property value with full taxes.
- Next, the present value of the tax savings over the term of the tax abatement is determined using a discount rate supported fully by the appraiser.
- The present value of the tax savings is then added to the property value with full taxes to determine the value of the Property with the tax abatement.

Note: If local practice is different from the Freddie Mac preferred methodology, the appraiser may use the local methodology, provided that any differences in technique are fully discussed in the Appraisal.

The appraiser must demonstrate in the Appraisal that the tax abatement is likely to continue for its stated term. This can be accomplished by a variety of methods including a review and discussion within the Appraisal of the tax abatement agreement and/or documented conversation and confirmation of the tax abatement by the Appraiser with the local property tax authority or tax abatement-granting agency.



60.24 Affordable Housing and Targeted Affordable Housing (12/14/23)

In addition to the other requirements of this chapter, the following requirements are for Appraisals of affordable housing properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing affordable housing properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.
2. The appraiser must consider and analyze factors that affect the supply and demand of affordable housing in the subject's market area, including the following:
 - Demand:
 - Trends in household income, especially related to Area Median Income (AMI) tranches applicable to the subject's affordable rental structure
 - Trends in occupancy of competing/similar affordable housing properties and market rent properties in the subject's market area
 - Proximity to public/mass transportation
 - Other statistical or researched demand factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
 - Supply:
 - Proposed, ongoing, and recent changes in the supply of affordable housing properties within the Property's market area
 - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market
 - Other statistical or researched supply factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as affordable housing. If comparable affordable housing properties are not available in the local market, the appraiser may use comparable regional affordable housing properties. These requirements apply to building sales, land sales, rental comparables and capitalization rate comparables.
4. If a sufficient number of comparable local or regional affordable housing properties are not available for analysis, non-affordable housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-affordable housing to the affordable housing Property, including marketing time and information derived from the most recent U.S. Census for the location of the Property, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. For Appraisals directly ordered by Freddie Mac for asset management purposes, the



appraiser must also opine, describe and support if the highest and best use of the Property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an estimate of market value considering the time period necessary to phase in non-restricted rents.

In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

6. If the Property has HUD Project-based Section 8, the appraiser must include the following values:
 - The value using the project-based contract rents, and
 - The value using the lower of market, project-based contract rents, or achievable LIHTC rents (if applicable) for each type of unit
7. If the Property has not achieved stabilized operations, the appraiser must develop both an "as-is" and an "as-stabilized" value.
8. If the Property is to be built and is collateral for a Forward Commitment, the appraisal must meet the requirements of Section 60.30.

60.25 Seniors Housing Properties (12/14/23)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Seniors Housing Properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing seniors housing properties (i.e., independent living properties and assisted living properties) as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.
2. The appraiser must consider the following:
 - Demand:
 - Trends in the target service area of the subject property indicative of the depth of residency eligibility such as senior population growth or retraction, changes/trends in income and/or net worth of individuals eligible for residency in the subject property, and other factors of seniors housing demand
 - Trends in occupancy of competing/similar seniors housing properties and market rent properties in the subject's market area
 - Other statistical or researched demand factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
 - Supply:
 - Proposed, ongoing, and recent changes in the supply of seniors housing properties within the property's market area.



- Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market area
 - Other statistical or researched supply factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as seniors housing. If comparable seniors housing properties are not available in the local market, the appraiser may use comparable regional seniors housing properties. These requirements apply to building sales, land sales, rental comparables, and capitalization rate comparables.
 4. If a sufficient number of comparable local or regional seniors housing properties are not available for analysis, non-seniors housing properties may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-senior housing to the Senior Housing Property including, but not limited to, marketing time and information obtained from the most recent U.S. Census, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
 5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. In addition to the hypothetical value if leased at non-restricted rents, the appraiser must opine and support its opinion if the Highest and Best Use of the property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an as-is estimate of market value considering the time period necessary to phase in non-restricted rents.

In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

The Appraisal will clearly and prominently report the total market value of the Property as well as an allocation for contributory business value, personal property and/or other non-real estate items. The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

60.26 Manufactured Housing Communities value (07/01/14)

In addition to the requirements in this chapter, specific appraiser and Appraisal requirements for Manufactured Housing Communities can be found in Section 22.5.

60.27 Appraisals for lease-up programs (09/25/15)

Freddie Mac has two types of lease-up offerings: Acquisition Lease-Up and Refinance Lease-Up.



For Properties to be specifically underwritten in either of these two programs, the Appraisal must provide the as-is value of the Property as of the effective date of the Appraisal report (i.e., the current date) and the prospective as-stabilized value as of the prospective future date of stabilized operations for the Property. The Freddie Mac Underwriting Value is based on the prospective as-stabilized value.

The Seller must provide guidance to the appraiser should these values be required.

60.28 Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages and Preservation Rehabilitation Mortgages (02/28/20)

1. For a Mod Rehab Mortgage, the appraiser must provide the following two values of the Property based on all applicable approaches to value:
 - As-is market value
 - Hypothetical as-if renovated and stabilized today market value
2. For a Preservation Rehabilitation Mortgage, the appraiser must provide the following five values of the Property based on all applicable approaches to value:
 - As-Is market value with current restricted rents (i.e., rents in-place on the date of value).
 - As-Is market value with the proposed restricted rents that will be in-place subsequent to or concurrent with origination of the Mortgage but prior to construction completion. This is a hypothetical value and does not assume that the renovations are completed on the date of value; just that the proposed restricted rents are in place.
 - As-is market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
 - Hypothetical as-if renovated and stabilized at current market value with restricted rents that will be in-place when the Property is renovated and stabilized. This is a hypothetical value.
 - Hypothetical as-if renovated and stabilized at current market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

The as-is market value is the market value of the Property as of the day of the appraiser's inspection, assuming no renovation work has been done. Standard appraisal approaches and industry best practices in accordance with this chapter apply. This value provides a baseline to determine how much additional value the renovation project might generate.

The hypothetical as-if renovated and stabilized current market value assumes that all planned renovations are complete and the Property has achieved stabilized operations as of the date of the appraiser's inspection. This valuation scenario should not simply add the renovation budget total to the as-is market value, as this calculation might not be indicative of actual contributory value of the planned renovation.

The as-is market value and hypothetical as-if renovated and stabilized current market value are imperative to the credit and underwriting analysis of the Freddie Mac transaction. The Seller/Servicer must provide the appraiser with the pre-construction analysis report, as described



in Chapter 63, and the appraiser must provide its opinion on all of the following:

- The specific elements of the renovation that would or might affect market value
- The time needed to complete the planned renovations
- The time needed to achieve stabilized operations after completion of the planned renovations

The appraiser must analyze the effects of the renovation on each of the approaches to value used in the appraisal report. For example, by installing new stainless steel energy saving appliances, the rent might increase, utility expense might decrease, Replacement Reserves might increase and/or the capitalization rate might change due to investor's perception of the quality of the renovations, causing an impact to the appraiser's income approach and change in market value.

The appraiser must provide rents, property taxes, operating expenses, and capitalization rates data from properties that have recently experienced renovations similar to the subject or are comparable to the proposed renovated Property. If these benchmarks are not available in the local market, the appraiser must explain the extent of research to obtain this type of data and provide an adequate discussion about how these items might impact the value from the as-is market value scenario.

The appraiser must provide separate sales and rent comparables for the as-is market value and the hypothetical as-if renovated and stabilized current market value, as the renovation might promote the Property into a higher class of property.

60.29 Appraisals for Mortgages with a Green Up® or a Green Up Plus® loan option (10/12/17)

If the Seller/Servicer requests a Prospective As-Improved Market Value, the Appraisal must include both an As-Is Market Value and Prospective As-Improved Market Value.

- The As-Is Market Value is the market value of the Property, assuming no Green Improvements have been completed. Standard appraisal approaches and industry best practice per this chapter apply. This value provides a baseline to determine how much additional value the Green Improvements might generate.
- The Prospective As-Improved Market Value must assume that all Green Improvements are completed as of the current date of value.

To develop the Prospective As-Improved value, the appraiser must review the list of Green Improvements that the Borrower has committed to execute at the Property, and consider the contribution of these Green Improvements to the Property's prospective market value. The appraiser should not merely add the projected cost of the Green Improvements to the As-Is value and consider this a complete valuation.

The appraiser must consider how rents, expenses and the capitalization rate will be affected by the Green Improvements and the time it will take to implement the Green Improvements.

The appraiser must reference Form 1106, Green Assessment, including the date of the report and a summary of the report's conclusions and recommendations.



Freddie Mac prefers that the Prospective As-Improved Market Value be supported by comparable sales that also had a similar scope of Green Improvements as well as by the appraiser's survey of investors, lenders, property owners and/or brokers familiar with capitalization rates and investor considerations of Green properties.

In addition, Freddie Mac recommends that the appraiser complete the "Valuation of Sustainable Buildings – Commercial" professional development program offered through the Appraisal Institute. A registry of appraisers who have completed this training can be found at the Appraisal Institute's website.

60.30 Appraisals for Forward Commitment Mortgages (12/17/19)

1. For a Forward Commitment Mortgage, the Appraisal must include the following valuation types:
 - a. As-Is current market value
 - b. Hypothetical current restricted value as-if renovated/constructed and stabilized today, with current restricted rents. This is a hypothetical value.
 - c. Hypothetical current market value as-if renovated/constructed and stabilized today, without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
 - d. All other requirements of Chapter 60
2. A new or updated Appraisal will not be required at Conversion for a Forward Commitment Mortgage except if:
 - a. A request has been made for a loan amount in excess of the original committed amount, or if
 - b. The Forward Commitment has been extended to a maturity date that is one year beyond the original Forward Commitment Maturity Date, or if
 - c. The appraisal is dated more than 48 months prior to the date the Conversion package is submitted.

60.31 Ground leases (04/18/24)

Freddie Mac purchases 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 (04/18/24)

At a minimum, Freddie Mac requires the appraiser provide an as-is estimate of the market value of the subject on the date of value (See Section 60.1(b)).



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

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 1:56:35 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 60 - Appraiser and Appraisal Reqs GB-04-18-24.docx	
Modified filename: 60 - Appraiser and Appraisal Reqs GB-06-13-24.docx	
Changes:	
Add	16
Delete	7
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	23

Multifamily Seller/Servicer Guide

Glossary and List of Commonly Used Acronyms



Glossary and List of Commonly Used Acronyms (~~04/18/24~~[06/13/24](#))

a b c d e f g h i j k l m n o p q r s t u v w x y z

Glossary

30 Days Delinquent

See Delinquency.

55-Day Multi PC

A 55-Day Multi PC is a Participation Certificate (PC) in which the payments by Borrowers on the 55-Day Multi PC Securitized Mortgages are passed through, with a payment delay of 55 days, to the holders of the 55-Day Multi PCs.

55-Day Multi PC Securitized Mortgages

55-Day Multi PC Securitized Mortgages are Mortgages that are pooled in 55-Day Multi PCs.

Accounting Net Yield

The Accounting Net Yield is the net yield rate that the Servicer uses to report and remit interest to Freddie Mac on a monthly basis. The Accounting Net Yield equals the Required Net Yield except for Mortgages sold to Freddie Mac at a discount or at a premium.

Active Mortgage

An Active Mortgage is a Mortgage on which the Borrower's payments are current, or a Delinquent Mortgage that has not been deactivated by the Servicer for accounting and reporting purposes.

Adjustable-rate Mortgage (~~ARM~~)

See Floating-Rate Mortgage.

Acceptance Letter

An Acceptance Letter is used by Freddie Mac to indicate its acceptance of an early rate lock application with nonmaterial modifications. The Seller will be bound by the terms of any Acceptance Letter.

[Activity of Daily Living](#)

[See Section 21.2.](#)



Additional Actual Loan Amount

See ~~definition in~~ Sections 19A.12(d) and 25A.8(b).

Additional Actual Loan Amount Percentage

See ~~definition in~~ Sections 19A.12(d) and 25A.8(b).

Affiliated Persons of the Seller/Servicer

Affiliated Persons of the Seller/Servicer include the following:

1. The Seller/Servicer's directors, officers, employees and controlling persons
2. Spouses or domestic partners of the Seller/Servicer's directors, officers and controlling persons
3. Members of the immediate family of the Seller/Servicer's directors, officers and controlling persons who have the same home as such persons
4. Individuals who are directors or officers of any subsidiary or holding company affiliate of the Seller/Servicer
5. Corporations or organizations (other than the Seller/Servicer or a corporation or organization through which the Seller/Servicer operates) of which a director, officer or controlling person of the Seller/Servicer is
 - An officer or partner
 - Directly or indirectly, either alone or with his or her spouse or domestic partner, the owner of 10 percent or more of any class of equity securities
 - Owner with other directors, officers and controlling persons of the Seller/Servicer and their spouses or domestic partners of 25 percent or more of any class of equity securities
6. Trusts or other estates in which a director, officer or controlling person of the Seller/Servicer or the spouse or domestic partner of such person has a substantial beneficial interest or for which such person or his or her spouse or domestic partner serves as trustee or in a similar fiduciary capacity

Affiliates of the Borrower

Affiliates of the Borrower include any person or entity who Controls, is Controlled by, or is under common Control with the Borrower.

Annual Inspection Form (AIF)

See Section 40.2.

Anti-Money Laundering (AML) Laws

~~AML~~Anti-Money Laundering Laws are the applicable federal anti-money laundering laws and regulations including 18 U.S. C. Sections 1956 and 1957, as amended.



Applicable Freddie Mac Multifamily Regional Office

The Applicable Freddie Mac Multifamily Regional Office is the Freddie Mac Regional Office that has jurisdiction over a multifamily Mortgage purchase. The addresses for Freddie Mac's Multifamily Regional Offices are set forth in the Seller/Servicer Guide Directory.

Appraisal

An Appraisal is a report setting forth an estimate or opinion of value prepared by an appraiser having the qualifications described in Sections 60.4 and 60.5.

Assisted Living Residence

[See Section 21.2.](#)

Benchmarking Data

Benchmarking Data is the Property's energy and water usage entered by the Benchmarking Data Consultant in Portfolio Manager® and which meets the requirements set forth in the term sheet located on the Freddie Mac Multifamily website. If Portfolio Manager® is no longer available, the Benchmarking Data Consultant may enter the data into another benchmarking tool identified by Freddie Mac.

Benchmarking Data Consultant

Benchmarking Data Consultant is a third-party consultant retained by Borrower and acceptable to Lender that is qualified to collect, input and monitor Benchmarking Data from the Mortgaged Property.

Benchmarking Metrics

Benchmarking Metrics are measures of Property utility consumption performance provided through Portfolio Manager.

Borrower

The Borrower is the party obligated to repay the indebtedness secured by the Property. The Borrower must, in Freddie Mac's judgment, have sufficient financial, operational and management capacity. Acceptable Borrowers are described in Section 9.2.

Borrower Principal

A Borrower Principal **means**:

- Any Key Borrower Principal
- Any person or entity that has Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, and Borrower-affiliated Master Tenant, including any one or more of the following:
 - General partner of a general partnership or a limited partnership
 - Non-member manager, managing member, or members of the board of managers of a limited liability company



- The settlor (grantor) of a living or revocable trust
- The trustee of an irrevocable trust
- Any person or entity that is pre-approved by lender to assume Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any person or entity with an aggregate interest (whether direct or indirect) in the Borrower equal to or exceeding 25 percent including any (i) equitable ownership interest or (ii) any beneficial interest in an Illinois Land Trust, irrevocable trust or Delaware Statutory Trust
- [A](#) LIHTC Syndicator
- Any person or entity that Freddie Mac determines to be a Borrower Principal

Breakage Fee

The Breakage Fee is the fee, as set forth in the Letter of Commitment, Forward Commitment or early rate lock application, that the Borrower will owe the Seller and the Seller will owe Freddie Mac if there is a Nondelivery or in certain cases, if Freddie Mac Rejects the early rate lock application.

Business Day

A Business Day is a day other than:

- A Saturday or Sunday
- A day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed
- A day on which the principal offices of Freddie Mac are closed
- A day on which the offices of the federal government located in the District of Columbia are generally closed

In the Guide, the word "day" without the modifier "business" refers to a calendar day.

Business Disruption

See ~~definition in~~ Section 2.20.

Business Continuity Plan

See ~~definition in~~ Section 2.20.

Capitalization Rate

The Capitalization Rate is the percentage rate that represents the proper relationship between the value of the ~~property~~[Property](#) and the Net Operating Income that the ~~property~~[Property](#) produces.



Certified Inspector

See Section 40.13(b).

Certified Organizational Chart

A Certified Organizational Chart is an Organizational Chart that is attached to Form 1114, Certification – Organizational Chart. If the Certified Organizational Chart is revised, the Borrower must submit a new Form 1114, Certification – Organizational Chart, with the revised Organizational Chart.

Change of Control

With respect to the Seller/Servicer, a change in the Control, directly or indirectly, of the management or policies of a Seller/Servicer, whether through ownership or transfer of ownership interests, by contract, or otherwise. A person is presumed to have such power if the person:

- Is a director, general partner, or Senior Management of the Seller/Servicer
- Directly or indirectly has the right to vote 10 percent or more of a class of a voting security of the company or has the power to sell or direct the sale of 10 percent or more of a class of voting securities of the company
- In the case of a limited liability company, is a managing member of the limited liability company; or
- In the case of a partnership, has the right to receive upon dissolution or has contributed 10 percent or more of the capital of the partnership

Claims Made Policy Form

An insurance policy that covers claims first made (reported or filed) during the year the policy is in force for any incidents that occur that year or during any previous period during which the insured was covered under a "claims-made" contract. This form is in contrast to the Occurrence-based Policy Form.

Commercial Property Assessed Clean Energy (C-PACE)

~~C-PACE~~[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 ~~definition in~~ Section 9.9(b).

Complete Borrower/Key Borrower Principal Due Diligence Package

A Complete Borrower/Key Borrower Principal Due Diligence Package consists of:

- ~~Form(s) 1115, as applicable~~[Form 1115, Borrower and Key Borrower Principal Certificate](#);
- ~~Form 1115, Borrower Certificate,~~
- ~~Form 1115, Key Borrower Principal Certificate,~~
- ~~Form 1115 – SBL, Borrower Certificate,~~



○ ~~Form 1115—SBL, Key Borrower Principal Certificate;~~

- Form 1116, Real Estate Schedule;
- Certified current financial statements for the Borrower and Key Borrower Principals; ~~and~~
- Credit report(s) for Borrowers and Guarantors that are individuals. ~~;~~
- [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 ~~means~~[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.

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 **means** is the power to manage, control or direct the decisions of an entity.

Conventional Seller/Servicer

A Conventional Seller/Servicer is a Seller/Servicer that meets the net worth requirements in Section 3.3 and Freddie **Mac's** **Mac's** other eligibility requirements and has been approved by Freddie Mac as an Optigo Conventional Lender. In the Guide, an Optigo Conventional Lender is also referred to as a Conventional Seller/Servicer.

Conversion

For a Forward Commitment under Chapter 19A, the Conversion is the closing of the permanent Mortgage after construction has been completed and the Property has met the applicable Conversion criteria.

For a Forward Commitment under Chapter 25A, the Conversion is the purchase of the TEL by the Seller from the construction lender after construction has been completed and the Property has met the applicable Conversion criteria.

For a Moderate Rehabilitation (Mod Rehab) Mortgage, the Conversion is the time when the loan terms change from the Interim Phase loan terms to Permanent Phase loan terms.

Conviction or Convicted

Conviction **means** 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 Certificate, Form 1115, Key Borrower Principal Certificate, Form 1115—SBL, Borrower Certificate, and Form 1115—SBL, Key Borrower Principal Certificate; Form 1116, Real Estate Schedule (as applicable)~~ Form 1115, Borrower and Key Borrower Principal Certificate is completed will not be considered Convictions.

Cooperative (Co-op)

A ~~Co-op~~ Cooperative, or co-op, is a form of ownership of multifamily housing in which a cooperative housing association or corporation owns the multifamily ~~property~~ Property (land and improvements) and the dwelling units are subject to proprietary leases between the corporation and unit "owners". "The unit owners own stock in the association or corporation to evidence their "ownership" in their dwelling units. Blanket



(underlying) first Mortgages on multifamily housing owned by ~~Co-ops~~[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.

Crowdfunding

Raising capital from marketing directed to the public at large (via the internet or otherwise) for investment in one specific property under the exemptions provided under Title III or Title IV of the Jumpstart Our Business Startups (JOBS) Act.

Custodial Account

A Custodial Account is an account established and maintained by a Servicer at an “eligible depository,” as that term is defined in Chapter 52, into which principal and interest payments or Reserves are deposited.

Debt Coverage Ratio (DCR)

The ~~DCR~~[Debt Coverage Ratio](#) is the ratio of Net Operating Income from a multifamily ~~property~~[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~~Borrower's monthly installment of principal, interest and, where applicable, Reserves is unpaid after the Due Date.

A Mortgage is considered delinquent when it is 30 days delinquent, as described in the table below:

If the due date is	The Mortgage is 30 days delinquent
The first day of the month	When all or part of one or more payments remains unpaid as of close of business on the last Business Day of the month
Not the first day of the month (from the second through the last day of the month)	When all or part of one or more payments remains unpaid 30 or more actual calendar days as of close of business on the last Business Day of the month

Delinquent

See Delinquency.

Delivery Date

The Delivery Date is the date Freddie Mac receives all documentation required by the Purchase and Servicing Documents. Delivery to Freddie Mac occurs when Freddie Mac takes actual possession of all documentation required to be submitted. The posting of such documentation with the U.S. Postal Service or any other delivery service does not constitute delivery to Freddie Mac.

Disabled-Owned Business

A Disabled-Owned Business is:

- Qualified as a Service-Disabled Veteran-Owned Small Business Concern as defined in 13 C.F.R. §§ 125.8-125.13; or
- An entity within the Borrower structure or having direct or indirect Control of the Borrower in which:
 - At least 50 percent of the ownership or Control is held by one or more persons with a Disability; and



- At least 50 percent of the net profit or loss accrues to one or more persons with a Disability

For the purposes of this definition, “Disability” has the meaning defined in 29 C.F.R. § 1630.2(g), § 1630.3 and Appendix to Part 1630 – Interpretive Guidance on Title I of the Americans with Disabilities Act.

Discovery Policy Form

An insurance policy form that covers losses discovered during the policy period even though they may have occurred before the policy period.

Diverse Borrower

A Diverse Borrower is a Borrower or a Borrower that has a Borrower Principal that meets the following conditions:

- A Minority-Owned Business, Women-Owned Business, Disabled-Owned Business, LGBTQ+-Owned Business or Veteran-Owned Business; or
- An entity in which:
 - At least 50 percent of the ownership or Control is held by a combination of individuals who are Minorities, women, have a Disability, identify as LGBTQ+, or are Veterans; and
 - At least 50 percent of the net profit or loss accrues to a combination of individuals who are Minorities, women, have a Disability, identify as LGBTQ+, or are Veterans

Document Management System (DMS)

~~DMS is Freddie Mac's~~ A Multifamily ~~document management system~~, 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~~Borrower's monthly installment of principal, interest and, where applicable, Reserves is due as stated in the Note and other Loan Documents.

Due Date of Last Paid Installment (DDLPI)

The ~~DDLPI~~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 (EGI)

EGI **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 ~~on FreddieMac.com at~~ <https://mf.freddie.mac.com/lenders/purchase/> at mf.freddie.mac.com/lenders/purchase/.

Eligible Institution

A depository institution or trust company insured by the Federal Deposit Insurance Corporation, the ~~short-term~~ **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 ~~definition in~~ Section 61.1(b).

EPA 1-100 Water Score

EPA 1-100 Water Score is a measure of water performance provided for the Property by Portfolio Manager®.

Equity Conflict of Interest (ECOI)

~~Refer to~~ **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.freddie.mac.com/lenders/legal.



Expiration Date

The Expiration Date is the date set forth in the Letter of Commitment by which the Seller must accept the Letter of Commitment and Rate Lock. The Expiration Date for an early rate lock application is or the expiration date of the Quote.

Exclusionary List

The Exclusionary List is a confidential list compiled, maintained and distributed by Freddie Mac, containing names and other information concerning persons or entities that have been restricted or excluded from participating in transactions or doing business with Freddie Mac. The Exclusionary List is updated at least monthly by Freddie Mac.

Seller/Servicers can access the Exclusionary List under “Quick Links” on the Originate and Underwrite and Asset Management web pages.

Exempt Inspector

See Section 40.13(b).

Fee ~~inspector company (FIC)~~ Inspector Company

See ~~Chapter 40~~ 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 on ~~FreddieMac.com~~ at <https://mf.freddiemac.com/lenders/purchase/atmf.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, forgery, counterfeiting and terrorist activity financing.

First Lien

A First Lien is any lien that grants to the lienholder a claim against the Property that, under the law of the jurisdiction where the Property is located, is prior to the rights of all others, subject only to prior liens and encumbrances that Freddie Mac has expressly waived pursuant to Sections 29.2 and 29SBL.2.

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 ~~Guide~~ Section 19A.2, as supplemented by ~~Guide~~ Chapter 25A for TEL.



Forward Commitment Maturity Date

The Forward Commitment Maturity Date is the date by which Conversion must occur unless extended pursuant to an extension approval letter.

Forward Commitment Property Inspection

A property inspection that is required prior to commitment for each Property under a Forward Commitment. The requirements for a Forward Commitment Property Inspection are set forth in Section 8.16. At the time of conversion, a complete property inspection is required.

Freddie Mac 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 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~~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'sMac's](#) Internet home page. FreddieMac.com includes information about Freddie [Mac'sMac's](#) programs and products and makes multifamily Loan Documents and other Mortgage origination information available to Seller/Servicers at 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 OneSM Program and are pooled in Gold PCs.

[Governmental Entity](#)

A Governmental Entity is an entity that is under Control of, under ownership of, is authorized by, or is itself a city, county, State, commonwealth, or federal government. With respect to subordinate debt, Freddie Mac considers a Governmental Entity to be an entity that provides third-party financing with the goal of expanding, preserving, maintaining, or otherwise promoting affordable multifamily housing.

[Green Advantage[®]](#)

Green Advantage[®] is a Freddie Mac suite of offerings providing benefits to Borrowers who have made or plan to make their Properties more energy and water efficient.

[Green Assessment[®]](#)

Green Assessment[®] is a report detailing proposed property-level improvements to promote utility consumption efficiency at the Property. It uses the ASHRAE Level 1 standard and otherwise meets the requirements set forth in Chapter 65. The report describes projected savings in terms of utility consumption and dollars saved per improvement item.

[Green Assessment Plus[®]](#)

Green Assessment Plus[®] is report that contains the same information as the Green Assessment[®] but provides a more detailed analysis of projected savings in terms of utility consumption and dollars saved at the Property. It uses the ASHRAE Level 2 standard and otherwise meets the requirements set forth in Chapter 65.



Green Certified

Green Certified is a benefit available for Properties that have a Green Building Certificate as set forth in Section 55.2 and that meet Freddie Mac affordability requirements.

Green Consultant

Green Consultant is a certified environmental design/inspection or engineering firm that meets the requirements set forth in Chapter 65.

Green Improvements

Green Improvements are the energy and water conservation measures selected by the Borrower from the list of qualifying conservation measures identified in a Green Report. These selected conservation measures are identified as Green Improvements in the Green Improvement Rider to the Loan Documents.

Green Rebate

Green Rebate is a benefit available to a Borrower who provides an ENERGY STAR® Score but has not chosen any other Green Advantage® offering.

Green Retrofits®

Green Retrofits is a loan option with benefits that may be available if the Borrower can certify that energy and/or water efficiency improvements are in place at the Property.

Green Up®

Green Up® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment®.

Green Up Plus®

Green Up Plus® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment Plus®.

Ground Lease

[See Section 30.1.](#)

Ground Lease Mortgage

[See Section 30.1.](#)

Ground Lessee

[See Section 30.1.](#)

Guarantor

Any person or entity that is liable under the Guaranty. (See also Foreign Guarantor)



Guide

The Guide is the official version of the Multifamily Seller/Servicer Guide, including the exhibits and related supplements, Bulletins and Industry Letters.

Hardcopy Delivery Package

The Hardcopy Delivery Package is the set of documents comprising a portion of the Final Delivery Package which must be delivered in their original hardcopy form. For identification of the documents comprising the Hardcopy Delivery Package, refer to the appropriate Final Delivery Table of Contents available on [FreddieMac.com](https://mf.freddie.com/lenders/purchase/) at <https://mf.freddie.com/lenders/purchase/> at mf.freddie.com/lenders/purchase/.

Hard Subordinate Debt

[See Section 19.2\(f\).](#)

Home Mortgage

A Home Mortgage is a Mortgage secured by a First Lien on real estate on which there is located a structure designed principally for residential use by one to four families.

Imminent Life Safety Hazard

An Imminent Life Safety Hazard is a hazard that is about to cause harm. Imminent Life Safety Hazards are of the highest concern as they represent an immediate risk to any tenant that encounters such a hazard. Exposed live electrical wires and balconies with inadequate guard rails are among the types of conditions that represent Imminent Life Safety Hazards.

Imminent Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Imminent Life Safety Hazards and the inspector must exercise judgement to determine the Hazard category.

See also ~~the definition for~~ Life Safety Hazard.

Income and Expense Statement

The Income and Expense Statement is the actual or pro forma statement of income and expense items for a person, an entity, or a ~~property~~[Property](#) during a specified period of time.

Increased Mortgage Amount

For the purposes of the early rate lock delivery option and the early rate lock application, see ~~the definition of "Increased Mortgage Amount" in Chapter 27~~ [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 **means** is an individual who is not affiliated with the Borrower, any SPE Equity Owner, ~~guarantor~~[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

~~As defined in Chapter 27.~~

[See Section 27.1\(b\).](#)

Index Lock Agreement

~~As defined in Chapter 27.~~

[See Section 27.1\(b\).](#)

Industry Trained Inspector

See Section 40.13(b).

Insurance Compliance Tool

[A Multifamily Software Application for Sellers to submit documentation related to Borrower's insurance compliance.](#)

Key Borrower Principal

Key Borrower Principal **means** 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~~ [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 \(LIA\)](#)

See ~~Section~~ [Sections](#) 6.4. and Section 29.2.

[Letter of Commitment](#)

A Letter of Commitment or Commitment is the written indication that Freddie Mac has made an offer to the Seller to purchase a Mortgage. The Letter of Commitment and any amendments set forth the terms and conditions of the purchase transaction. For an early rate-lock delivery, a counter-signed early rate-lock application, with all modification and acceptance letters, takes the place of the Letter of Commitment. Letters of Commitment also include Forward Commitments.

[LGBTQ+-Owned Business](#)

An LGBTQ+-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more persons who identify as LGBTQ+; and
- At least 50 percent of the net profit or loss accrues to one or more persons who identify as LGBTQ+

“LGBTQ+” means any individual who identifies as lesbian, gay, bisexual, transgender, queer or questioning or +.



Life Safety Hazard

Life Safety Hazards consist of conditions that increase the possibility of personal injury or death. Traditionally, these hazards are associated with inadequate protections and often result from noncompliance with code requirements.

See also the definitions of Imminent Life Safety Hazard and Potential Life Safety Hazard, which apply to the post-purchase annual inspection of a Property. There is no comprehensive list of Imminent or Potential Hazards and the inspector must exercise judgement to determine the Hazard category.

LIHTC Investor

In a LIHTC transaction, each person or entity that has aggregate ownership (direct or indirect) of 50% or more of the Borrower's limited partner. The LIHTC Investor expects to receive the benefit of the LIHTC and does not Control the Borrower.

LIHTC Syndicator

In a LIHTC transaction where the LIHTC investment is made through a syndicated LIHTC fund, the entity with Ultimate Control of the general partner of the LIHTC fund. In that capacity, the LIHTC Syndicator, for the benefit of the LIHTC fund and the LIHTC Investor(s), provides acquisition, underwriting, portfolio management, asset management and investor reporting services.

Linked Buildings (SBL)

[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

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 ~~on~~ [FreddieMac.com at https://mf.freddie.mac.com/lenders/legal/](https://mf.freddie.mac.com/lenders/legal/) ~~at~~ mf.freddie.mac.com/lenders/legal/. The Loan Documents include the following documents, together with any modifications and Riders to the documents:

- Note
- Loan Agreement
- Security Instrument
- Guaranty
- Omnibus Assignment
- All other documents used in connection with the origination or Servicing of Mortgages under Freddie Mac's programs and products.

The Legal Documents page of mf.freddie.mac.com includes a list of current Loan Documents. The revision date is indicated for each Loan Document.

Loan Management Form (LMF)

See Section 40.2.

Loan-to-Value (LTV) Ratio

The ~~LTV~~ 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.

Mandatory Delivery Date

The Mandatory Delivery Date is the delivery date identified in the Letter of Commitment or early rate-lock application. The Seller must deliver the Final Delivery Package to Freddie Mac by noon Eastern time on the Mandatory Delivery Date.

Mandatory Funding Date

Unless otherwise agreed upon, the Mandatory Funding Date is the date which is 15 days after the Mandatory Delivery Date; provided, however, that if such day is not a Business Day, then the Mandatory Funding Date will be the Business Day immediately preceding such date.

Manufactured Housing Community (MHC) Product

~~The MHC Product is the~~ A program under which Freddie Mac Multifamily will purchase Mortgages secured by Manufactured Housing Communities, as described in ~~this~~ Chapter 22.

Manufactured Housing Resident-Owned Community

See Section 22.1(b).



Master Forward Financing Agreement

The Master Forward Financing Agreement documents the general terms and conditions governing all Forward Commitments with a particular construction lender.

Master Tenant

A Master Tenant is the tenant that operates the Property under a master lease. A master lease structure is usually used in a Shariah compliant loan or Delaware Statutory Trust loan.

Material Modification

For the purposes of the early rate lock delivery option and the early rate lock application, a **“Material Modification”** is as defined in Chapter 27.

Material Vendor

With respect to one or more Mortgages owned by Freddie Mac (*i.e.*, from Freddie Mac’s purchase until securitization or other disposition of such Mortgage(s)), a vendor engaged by the Servicer while Servicing such Mortgage or Mortgages on behalf of Freddie Mac that has the potential to create information security risk or compliance risk for Freddie Mac.

Refer to the Material Vendors web-page-on-mf.freddiemac.com [Material Vendors web page](#) for more details and examples of Material Vendors.

MHC Tenant Protections

See ~~definition in~~ Section 22.1(b).

MHC Tenant Protections Notification

See ~~definition in~~ Section 22.2(p).

Minimum Consumption Savings Threshold

See ~~definition in~~ Section 24.3(a).

Minimum Occupancy

The minimum number of units at the Property that must have current leases that comply with the provisions of the Loan Agreement in order for a Borrower to undertake or continue certain Property Improvement Alterations. The Minimum Occupancy is expressed as a percentage in the Loan Agreement.

Minimum Origination Fee

The Minimum Origination Fee is the minimum fee the Seller/Servicer must charge in connection with the origination of the Mortgage. The Minimum Origination Fee requirements are set forth in Section 17.1(f) for non-SBL Mortgages and in Section 18SBL.1(f) for SBL Mortgages.



Minority-Owned Business

A Minority-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more Minority individuals; and
- At least 50 percent of the net profit or loss accrues to one or more Minority individuals

“Minority” means is any individual who is Black or African American, American Indian or Alaska Native, Hispanic (or Latino) American, Asian, or Native Hawaiian or other Pacific Islander

Modification Letter

The Modification Letter is used by Freddie Mac to propose material modifications to an early rate lock application.

Moderate Rehabilitation Mortgage

See Section 17.4.

Moisture Management Plan ~~(MMP)~~

An MMP 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 an MMP Moisture Management Plan is required, the MMP 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 ~~available through mf.freddieMac.com.~~

Mold

Mold is a naturally occurring growth that is frequently dark in color with a musty odor. Mold feeds on organic material, and the growth of Mold is typically associated with damp or moist conditions. Mold is also referred to as fungus or mildew.

Mortgage

A Mortgage is a loan meeting the requirements of Section 1.2 and secured by a lien on real estate held in fee simple or on an acceptable leasehold estate. A Mortgage may also be a bond credit enhancement meeting the requirements of Chapter 28 or Chapter 28A, the mortgage loan securing a TEL meeting the requirements of Chapter 25 or Chapter 25A. When used alone in the Guide, and unless the context indicates otherwise, the term “Mortgage” means is a multifamily Mortgage secured by a property containing five or more dwelling units.

The term “Mortgage” includes the Security Instrument (mortgage, deed of trust, or deed to secure debt), the Note, the evidence of title, and all other Loan Documents that evidence the Mortgage and includes, for bond credit enhancement transactions, the bond mortgage note, the bond mortgage, the reimbursement mortgage and the reimbursement agreement.



Mortgage Documents

See Loan Documents.

Mortgage Financial Terms

The Mortgage Financial Terms are the maximum Mortgage amount, Freddie Mac net spread, gross spread, term, amortization period (if applicable), interest only period (if applicable), prepayment terms, yield maintenance period (if applicable), lock out period (if applicable), treasury floor (if applicable), and any other relevant Mortgage financial terms as determined by Freddie Mac.

Mortgage File

The paper and electronic file or files required to be created and maintained for each Mortgage by the Seller/Servicer in accordance with Chapter 34, and any other applicable sections of the Guide.

Mortgages Purchased in Part

Mortgages Purchased in Part are Mortgages in which Freddie Mac has purchased or retained a participation interest.

Mortgages Purchased in Whole

Mortgages Purchased in Whole have been purchased in their entirety by Freddie Mac.

Multifamily Document Management System

See Document Management System.

Multifamily Eligibility System

[A Multifamily Software Application for Seller/Servicers 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-DealsSM, Q-DealsSM, 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/Servicer in connection with the sale and the servicing of **Multifamily**[multifamily](#) Mortgages. The Multifamily Software Applications include the following:



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

Net Operating Income (NOI)

~~NOI~~ [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 ~~found on~~ [available at](#) mf.freddiemac.com for Non-LIHTC Forwards, Preservation Rehabilitation Financing for Non-LIHTC Properties or Non-LIHTC Bridge, as the context may require.

Non-Scope Issues

See ~~definition in~~ Section 61.2(b).



Non-U.S. Equity Holder

A Non-U.S. Equity Holder [means](#) any non-U.S. person or entity with a collective equity interest (whether direct or indirect) in Borrower equal to or exceeding 10 percent. A Non-U.S. Equity Holder is subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in this Guide including those identified in Chapters 2, 9, 41, 43, and 44.

A Non-U.S. Equity Holder that is a Key Borrower Principal is required to submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

A Non-U.S. Equity Holder with a 25 percent or greater interest in the Borrower will be considered a Borrower Principal.

All Non-U.S. Equity Holders must be named on the Organizational Chart.

Note

A Note is the instrument evidencing the indebtedness secured by a Security Instrument, and includes, for bond credit enhancement transactions, the reimbursement agreement evidencing the obligations secured by the reimbursement mortgage and the bond mortgage note evidencing the obligations secured by the bond mortgage.

Occurrence-based Policy Form

A policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made. Most property and commercial general liability insurance is written on an Occurrence-based Policy Form, which may also be referred to as a “per occurrence” policy form.

Operator

An Operator (sometimes referred to as the “Lessee”) is an entity that operates the Property under a master operating lease. Operating leases are frequently used in the Seniors Housing industry. An Operator may be affiliated with the Borrower or may be an unrelated third-party Operator.

Opinion Analysis

See Section 29.5(c).

Optigo Lender

An Optigo Lender is a lender that meets Freddie Mac's eligibility requirements, including the net worth requirements in Section 3.3, and has been approved by Freddie Mac to sell [Multifamily](#) [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~~ Guarantor not in the Borrower's organizational structure, Master Tenant (if applicable) or Operator (if applicable) must include the elements set forth in the Guidance – Organizational Charts that can be found on mf.freddie.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 (PC)

A PC Participation Certificate represents an undivided interest in specified Mortgages purchased by Freddie Mac from a single Seller, either for cash or in exchange for PCs Participation Certificates, and placed in a discrete pool bearing a unique PC Participation Certificate pool number. PCs 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 ~~the definition for~~ Life Safety Hazard.



Pre-Approved Transferee

Any person or entity that is pre-approved by lender to assume Ultimate Control (direct or indirect) of Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant.

Preferred Equity

See ~~definition in~~ Section 9.9(b).

Preferred Equity Return

See ~~definition in~~ Section 9.9(b).

Preliminary legal issues memorandum (PLIM)

See Section 6.4.

Preservation Rehabilitation

See Section 19.2(e).

Principal

A Principal, for purposes of Freddie Mac's policy concerning the exclusion of certain persons from participating in transactions or doing business with Freddie Mac, may be:

- A Seller/Servicer, or
- A person with substantial management or supervisory responsibilities within a Seller/Servicer's organization, or
- A person with critical influence on or substantive Control over any material aspect of a Mortgage purchase or Servicing transaction or any function related to such a transaction

There are three categories of principals:

- Seller/Servicers
- Officers, directors, owners, partners, key employees or other persons within a Seller/Servicer's organization who have substantial management or supervisory responsibilities. Suspended or excluded persons within this category are presumed to have critical influence on or substantive Control over all the organization's Mortgage purchase or Servicing transactions.
- Principals, consisting of any other person (whether an individual or an entity) who has a critical influence on or substantive Control over any material aspect of a Mortgage purchase transaction or a Servicing transaction or any function related to such a transaction. Such a Principal may be an employee of a Seller/Servicer, a third-party provider of services to a Seller/Servicer or an employee of a third-party provider of services. Persons who have a critical influence on or substantive Control over Mortgage purchase transactions or Servicing transactions or related functions include loan officers, underwriters, appraisers, inspectors, real estate agents and real estate brokers.



Private Entity

A Private Entity is an entity such as a partnership, limited liability company, private real estate fund, LIHTC fund or private REIT whose shares are not traded on a public exchange. A Private Entity can Control who purchases the ownership interests in such entity.

Private Investment Fund

A U.S. private company that invests capital from different investors in various assets, including direct and indirect equity interests in real estate. To qualify as a Private Investment Fund, the entity must have each of the following:

- A minimum of \$50,000,000 in capital commitments
- Liquid assets of at least \$750,000
- A minimum net worth of \$5,000,000
- A management team with all of the following:
 1. At least 10 years of collective experience managing multifamily properties,
 2. At least 10 multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively
 3. At least \$100,000,000 in multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively

Private Transfer Fee

A Private Transfer Fee is any fee, charge or payment imposed by a Private Transfer Fee Covenant due in connection with a transfer of title to a [propertyProperty](#). A Private Transfer Fee is payable each time a [propertyProperty](#) 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'sProperty'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 [propertyProperty](#), 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 [propertyProperty](#)

Private Transfer Fee Covenant

A Private Transfer Fee Covenant [means](#) any covenant, restriction or other similar document that (i) purports to run with the land or to bind current and future owners whether or not such covenant is recorded and (ii) imposes a Private Transfer Fee upon transfer of all or part of the [propertyProperty](#), as defined in 12 C.F.R.



Part 1228. A Private Transfer Fee Covenant can be attached to a ~~property~~[Property](#) by the original developer or another third party.

Prohibited Substances

Prohibited Substances are any drugs or controlled substances whose use, manufacture, distribution or possession are prohibited by any law, whether federal, state or local law.

Project Loan

For a Cash Funded Forward Commitment, the Project Loan is Freddie Mac's loan to the construction lender.

Property

The Property is the land, improvements and fixtures that are, or will be, subject to the lien of a Mortgage.

Property Improvement Alterations

Alterations and additions to the improvements existing at or upon the Property, as more fully defined in the Loan Agreement. Repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents are not considered to be Property Improvement Alterations.

Property Improvement Alterations Notice

A notice to the lender from the Borrower pursuant to the terms of the Loan Agreement that the Borrower intends to begin the Property Improvement Alterations specified in the Property Improvement Alterations Notice.

Property Reporting System (PRS)

See Section 40.2.

Public Company

A Public Company is a company whose shares are traded on a public exchange or an over the counter exchange. A Public Company does not Control who purchases its shares after the initial public offering. A pension fund that is not privately controlled is also a Public Company.

Purchase Contract

The Purchase Contract is an agreement between the Seller and Freddie Mac covering the purchase of a specific Mortgage or Mortgages, the Seller's obligation to deliver such Mortgages on a mandatory basis (unless otherwise noted in the Letter of Commitment or early rate-lock application), the delivery period and the Servicing after Freddie Mac's purchase of the Mortgage. The Purchase Contract may be a

1. Purchase agreement
2. Letter of Commitment (as it may be amended) fully accepted by the Seller
3. Early rate-lock application (as modified or adjusted) fully accepted by Freddie Mac



4. Other offer by Freddie Mac to purchase, fully accepted by the Seller
5. Other offer by Seller to sell, fully accepted by Freddie Mac

Purchase Contract Date of Acceptance

The Purchase Contract Date of Acceptance is the date the Seller accepts Freddie Mac's offer as stated in a Purchase Contract.

Purchase and Servicing Documents

The Purchase and Servicing Documents applicable to a Mortgage are the following:

1. The Purchase Contract, including all Exhibits
2. The separate Servicing Agreement, if any
3. The official version of the Guide
4. Any agreement pursuant to which a Seller or affiliate of a Seller provides a guaranty or any form of credit enhancement in connection with the sale of Mortgages to Freddie Mac
5. Additionally, for Delegated TAH Mortgages, the Seller/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.

Rate Lock

Rate Lock is the procedure in which Freddie Mac agrees to hold the yield rate on the applicable U.S. Treasury index, net spread to Freddie Mac and Servicing Spread for a fixed rate Mortgage (Interest Rate Lock) and to hold the net spread to Freddie Mac and Servicing Spread for a Floating-Rate Mortgage (Spread Rate Lock).

Rate Lock Call

The Seller must call the person whose name is set forth in the Letter of Commitment or early rate lock application to Rate Lock and confirm all of the other terms of the Mortgage, including the term, amortization period and prepayment period. Even though the interest rate for a Floating-Rate Mortgage cannot be Rate Locked, the Seller must complete a Rate Lock Call in order to confirm all of the terms of the Mortgage.

Rate Reset

A Rate Reset Mortgage is a Mortgage with a five-year term, during which there is an option to extend the term of the Mortgage for an additional five years at a reset interest rate.

Rating Agencies

Rating Agencies ~~means~~ 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 (REO)

~~REO~~ Real Estate Owned is property acquired through foreclosure or deed in lieu of foreclosure.

Redemption Date

See ~~definition in~~ Section 9.9(c).

Regulatory Agreement

An agreement with a governmental entity that places income, rent or other use restrictions on all or selected units of a Property for a given period.

Rejection; Reject

A Rejection is Freddie Mac's determination that it will not accept the early rate lock application submitted by the Seller.

Repair Reserve

A Repair Reserve is a Reserve established to hold funds allocated for the completion of repairs, rehabilitation or incomplete items of construction. The Repair Reserve can be established by a Repair Escrow Agreement, a Repair and Escrow Agreement or by a Rider to the Loan Agreement that establishes a Repair Reserve.



Replacement 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 **means** all funds, other than principal and interest, collected to cover expenses to be paid under the Mortgage, including hazard insurance premiums and taxes, special assessments, ground rents, water and sewer charges, any other charges that are or may become first liens on the Property, payments for fees for a subsequent third-party interest rate cap agreement, and any other escrow or reserve established under the terms of the Mortgage or the Loan Documents.

Restricted Multiple Asset Entity (~~Restricted MAE~~)

As further defined in Chapter 9SBL, a Restricted ~~MAE~~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

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 ~~definition in~~ Section 61.2(b).

Securitization

Securitization ~~means~~is the transaction in which the Note for a Mortgage is assigned to a REMIC (Real Estate Mortgage Investment Conduit) ~~or~~a grantor trust or partnership trust.

Security Breach

See ~~definition in~~ Section 2.26(c).

Security Instrument

A Security Instrument is an instrument (mortgage, deed of trust, deed to secure debt) creating a valid lien on real estate.

Seller

Unless the context otherwise requires it, the term "Seller," as used in the Guide and the other Purchase and Servicing Documents, refers to an Optigo Lender or a Multifamily Structured Transaction Lender acting in its capacity as a Seller of Mortgages to Freddie Mac.



Servicer

Unless the context otherwise requires it, the term “Servicer,” as used in the Guide and the other Purchase and Servicing Documents, refers to an entity acting in its capacity of Servicing multifamily Mortgages for Freddie Mac. A Servicer may be an Optigo Lender, a Multifamily Structured Transaction Seller/Servicer, a Servicer approved on a Servicing-only basis, or a Servicing Agent.

Seller/Servicer

Unless the context otherwise requires it, the term "Seller/Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to a Seller, a Servicer or an Optigo Lender.

Seller Application

Seller Application is the application between the Seller/Servicer and the Borrower for the Seller/Servicer to make a loan to the Borrower to be secured by the Property and to be sold to Freddie Mac.

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



Servicing

Servicing is the performance of applicable obligations described in the Purchase and Servicing Documents, including tasks necessary to maintain Mortgages sold to Freddie Mac in a manner that protects Freddie Mac's interests.

Servicing Agent

A Servicing Agent is a Servicer that has received Freddie Mac's authorization to act on behalf of another Servicer in Servicing Mortgages purchased by Freddie Mac. This role may also be referred to as a "subservicer" provided, as used in this definition, the reference to "subservicer" will not be construed to have the same meaning as such term is used in connection with a Securitization.

Servicing Spread

For TEL Mortgages, the Servicing Spread is the fee payable by the Borrower to the Servicer under the project loan agreement and specified by Freddie Mac in the Letter of Commitment.

For all other Mortgages, the Servicing Spread is the amount of the interest income received and retained by the Servicer as compensation for servicing a multifamily Mortgage purchased by Freddie Mac. Freddie Mac specifies the Servicing Spread in the Purchase and Servicing Documents.

Shared Access Agreement

A Shared Access Agreement is an agreement that provides for access to a Property via an easement or private road.

Shared Use Agreement

A Shared Use Agreement is an agreement that provides for the sharing, joint use and maintenance of Recreational Facilities and/or Essential Facilities.

Single Asset Entity ~~(SAE)~~

An ~~SAE~~ 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 6 SBL, 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 (SPE)

An [SPE 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 [means](#) is a Delaware single member limited liability company or a corporation that acts as a general partner of a limited partnership Borrower or as the managing member of a limited liability company Borrower. The concept of an SPE Equity Owner is not applicable if the Borrower is a Delaware single member limited liability company that is a Single Purpose Entity or if the Borrower is a corporation.

Special Moisture or Mold Issues Inspection

A Special Moisture or Mold Issues Inspection is a specific inspection protocol, set forth in Section 8.3(c), which is used to evaluate existing moisture or Mold issues.

Special Servicing Request

A Special Servicing Request is a Borrower request for Freddie Mac approval of certain Borrower actions. For example, a Special Servicing Request is required for a Transfer of Ownership, Subordinate Financing, a request for a partial release, the grant of an easement, certain changes to the Repair Reserve or Replacement Reserve, and a waiver of the insurance requirements.



State

As used in this Guide, the term "State" includes the District of Columbia, Guam, Puerto Rico and the Virgin Islands as well as the 50 states.

Student Housing Property

A Student Housing Property is a multifamily Property with a student occupancy rate of more than 50 percent. These Properties cater to a student tenant base because of proximity to colleges or universities and may have been constructed as "Purpose Built/Dedicated Student Housing," or they may be conventional multifamily ~~properties~~[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.

~~TAH~~[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 (~~TEL~~)

A ~~TEL~~[Tax-Exempt Loan](#) is originated under Chapter 25 or Chapter 25A.



Title Company

See Chapters 29 and 29SBL.

Total Insurable Value

See Section 31.1(d).

Transfer of Ownership

For the purposes of Chapter 41, Transfers of Ownership and Chapter 41SBL, SBL Transfers of Ownership **means** any conveyance or other transfer of (a) an interest in the Property (including fee simple title or a Mortgage or other lien) or (b) an interest in the Borrower entity, which conveyance or transfer, if carried out without Freddie Mac's prior written approval, would violate a due-on-transfer provision or prohibition on Subordinate Financing contained in the Loan Documents.

Transfer of Servicing

See ~~definition in~~ Section 42.2(a).

Ultimate Control

Ultimate persons or entities that have Control (direct or indirect) of an entity. A party with Ultimate Control must be one of the following:

- An individual,
- Private Investment Fund,
- A revocable trust (including the settlor/grantor and trustee of the revocable trust), or
- A U.S. public company (U.S. publicly traded entity).

If an individual or entity is a Control party in a Private Investment Fund which is a Key Borrower Principal, then that individual or entity must be disclosed and will be subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in the Guide, including those identified in Chapters 2, 9, 41, 43 and 44.

Unfunded Forward Commitment

See Section 28A.2.

Value-Add Mortgage

See Section 17.2.Add

Veteran-Owned Business

A Veteran-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more Veterans; and



- At least 50 percent of the net profit or loss accrues to one or more Veterans

“Veteran” has the meaning defined in 38 C.F.R. § 3.1(d).

Web Searches

Web Searches are search engine reviews that are performed on the Property, Borrower, Borrower Principals, Non-U.S. Equity Holders, and property management company to identify Financial Crimes, litigation, negative credit events and events that would create reputational risk for Freddie Mac.

Weighted-Average Coupon (WAC)

The [WAC 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 [WAC Weighted-Average Coupon](#) is conclusive.

Weighted-Average Remaining Maturity (WARM)

The [WARM 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 [WARM Weighted-Average Remaining Maturity](#) is conclusive.

Women-Owned Business

A Women-Owned Business is an entity within the Borrower structure or having direct or indirect Control of Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more women; and
- At least 50 percent of the net profit or loss accrues to one or more women

Workforce Housing Preservation

Workforce Housing Preservation is a Conventional [loan 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

CoopCo-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

FAM

Freddie Mac Access Manager

FHA

Federal Housing Administration

FIC

Fee Inspector Company

GLI

General Loan Information

ICT

Insurance Compliance Tool

LIA

Legal Issues Analysis

LIHTC

Low-Income Housing Tax Credit

LMF

Loan Management Form



LST

Loan Submission Template

LTV

Loan-to-Value

MAE

Multiple Asset Entity

MES

Multifamily Eligibility System

MHC

Manufactured Housing Community

MHROC

Manufactured Housing Resident-Owned Community

MMP

Moisture Management Plan

MSIA

Multifamily Securities Investor Access tool

NOI

Net Operating Income

OFAC

Office of Foreign Assets Control

OUS

Origination and Underwriting System

PC

Participation Certificate



PLIM

Preliminarily Legal Issues Memorandum

PPM

Small Balance Loan Production Pipeline Manager

PRS

Property Reporting System

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

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

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 6/10/2024 5:00:23 PM	
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Changes:	
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Delete	183
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Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
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