

Appendix B to August 25, 2026 Bulletin: Redlined Guide Chapter Changes

A combined redlined file of all Guide chapter changes
made with the August 25, 2026 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 August 25, 2026 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 August 25, 2026 Bulletin and Appendix A to August 25, 2026 Bulletin, Guide Updates Spreadsheet. The redlined changes may appear more extensive than the change is, as text may have moved or formatting may have changed. The footers are updated by chapter.

Official electronic version of the Guide available on AllRegs®

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

Multifamily Seller/Service Guide

Chapter 1 Introduction



Introduction	
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1.1 Objective of Freddie Mac's purchase programs and products (10/07/02)

Freddie Mac was created by the enactment of the Emergency Home Finance Act of 1970, 12 USC 1451 et seq.

The fundamental objective of Freddie Mac's programs and products is to establish and enhance markets for home and multifamily Mortgages in order to provide an adequate and stable supply of housing funds on the best possible terms. Freddie Mac provides a secondary market that supports private institutional mortgage investors.

Freddie Mac supports practices that further the national goals of a decent home and suitable living environment for every American family. Freddie Mac encourages the use of its programs and products in a manner that can benefit the broadest possible segment of the American public. It discourages practices that may contribute to the involuntary displacement of neighborhood residents.

1.2 Overview of Freddie Mac's multifamily purchase programs and products (05/31/12)

Freddie Mac's multifamily purchase programs and products provide for the purchase of multifamily Mortgages on a whole loan basis. A multifamily Mortgage is a Mortgage on real estate on which there are one or more structures containing, in total, five or more units designed principally for residential use.

Mortgages under all multifamily purchase programs and products are purchased by Freddie Mac on a net yield basis (Required Net Yield) to Freddie Mac.

Freddie Mac specifies the interest rate for each multifamily Mortgage that it purchases, as well as the Servicing Spread that may be retained by the Servicer.

1.3 Legal effect of the Multifamily Seller/Servicer Guide (~~02/2708/25~~/26)

1.3(a) Capitalized terms; Glossary (12/05/03)	1.3(g) Effective dates (02/06/04)
1.3(b) Status as a contract (02/07/08)	1.3(h) Construction of the Guide (05/01/14)
1.3(c) Copyright (02/27/25)	1.3(i) Entire agreement (02/06/04)
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1.3(f) Severability (05/01/14)	1.3(l) Damages (02/07/03)

a. Capitalized terms; Glossary (12/05/03)

Each capitalized term used in the Guide (except for proper nouns) has the meaning set forth in the Glossary appended to the Guide. The Glossary constitutes a part of this Guide.

b. Status as a contract (02/07/08)

The *Multifamily Seller/Servicer Guide* (the Guide) is one of the Purchase and Servicing Documents. Freddie Mac may publish the Guide under license to an authorized publisher. Certain versions of the Guide, as published by Freddie Mac or an authorized publisher, will be subtitled "Official Version" and will contain the following statement on the first data screen:



"This is an official version of the *Multifamily Seller/Servicer Guide*, published by Freddie Mac or under license from, and in cooperation with, Freddie Mac." An "Official Version" of the Guide is one of the Purchase and Servicing Documents. In contrast, any publication or reproduction of the Guide that is not designated as an "Official Version" is not one of the Purchase and Servicing Documents and may not be relied upon by Freddie Mac, a Seller or a Servicer in determining or fulfilling their legal obligations to each other.

The Guide and all of its terms are incorporated by reference into, and constitute a 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 multifamily Mortgage that the Seller/Servicer has sold to Freddie Mac and has assented to service for Freddie Mac in accordance with the standards set forth in the Guide (including amendments to Servicing provisions of the Guide that have been made since Freddie Mac purchased the Mortgage) and any applicable Purchase Contract, all of which together constitute a unitary, indivisible master Servicing 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, such unitary, indivisible master Servicing contract, and the Servicing obligations assumed pursuant to any Purchase Contract will be deemed to be merged into, and will be performed pursuant to, such unitary, indivisible master Servicing contract.

A Seller/Servicer acknowledges that Freddie Mac's agreement to purchase Mortgages from the Seller/Servicer pursuant to any individual Purchase Contract is based in part upon the Seller/Servicer's agreement that the Mortgages purchased will be serviced by the Seller/Servicer pursuant to the unitary, indivisible master Servicing contract. 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 that 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 in accordance with the unitary, indivisible master Servicing contract, which incorporates the Guide and any applicable Purchase Contract by reference.

The Guide may not be amended or modified orally, and no provision of the Guide may be waived or amended except in a writing signed by the necessary parties. Any such written waiver or amendment must expressly refer to the Guide and be denominated as an amendment to the Guide. However, Freddie Mac may amend or supplement the Guide generally from time to time by the issuance of written communications.

How an amendment to the Guide applies to a Purchase Contract depends upon the nature and terms of the contract. An amendment applies to any mandatory delivery Purchase Contract having a date of Seller's offer on or after the effective date of the amendment. An amendment applies to any cash Purchase Contract or Multifamily Negotiated Transactions conversion under a mandatory delivery master commitment where the master commitment is dated on or after the effective date of the amendment.



An amendment to the Guide (which constitutes part of the unitary, indivisible master Servicing contract between Freddie Mac and each Seller/Servicer or Servicer) is effective on the date specified by Freddie Mac.

The effective date of each section of the Guide is stated after the heading of that section.

c. Copyright (02/27/25)

The Guide (including related supplements, bulletins and industry letters) is copyrighted. Limited permission to photocopy the Guide is granted to Freddie Mac Seller/Servicers strictly for their own use in originating Mortgages and in selling Mortgages to, and servicing Mortgages for, Freddie Mac. No part of the Guide may be reproduced for any other reason (in any form or by any means) without the express written permission of Freddie Mac. Requests for such permission to reproduce the Guide must be sent to MF_Guide_Team@freddiemac.com. Freddie Mac will review and answer requests in the ordinary course of business.

Freddie Mac reserves the right to revoke permission to reproduce the Guide upon 60 days' notice to any and all Seller/Servicers. Under no circumstances may a Seller/Servicer reproduce the Guide by any electronic or mechanical means, including reproduction in, or as a component of, any information storage and retrieval system.

d. Reliance (12/05/03)

By entering into a Purchase Contract or into the unitary, indivisible master Servicing contract with Freddie Mac, the Seller/Servicer acknowledges that it is not relying upon Freddie Mac or its employees, agents or representatives in making its decision to enter into the contract and that it has relied upon the advice and counsel of its own employees, agents and representatives as to the regulatory, business, corporate, tax, accounting and other consequences of entering into and performing its obligations under a Purchase Contract or the unitary, indivisible master Servicing contract.

e. Assignments; security interests (05/01/14)

A Seller/Servicer may not, in whole or in part, assign or transfer, or grant a security interest in, any of its obligations, rights or interest under any Purchase Contract or under the unitary, indivisible master Servicing contract, including any of its rights or obligations under the Guide or any of the Purchase and Servicing Documents, without Freddie Mac's prior written consent. Any purported or attempted assignment or transfer of, or grant of a security interest in, any such obligations, rights, or interest is prohibited and will be null and void.

Freddie Mac has the right to sell, assign, convey, hypothecate, pledge or in any way transfer, in whole or in part, its interest under the Purchase and Servicing Documents with respect to any Mortgage it purchases.

f. Severability (05/01/14)

If any provision of the Guide is held invalid, the legality and enforceability of all remaining provisions will not in any way be affected or impaired, and the Guide will be interpreted as if such invalid provision were not contained in the Guide.



g. Effective dates (02/06/04)

The *Multifamily Seller/Service Guide* governs Purchase Contracts with a date of acceptance on or after December 31, 1993. The multifamily provisions of the Freddie Mac Sellers' and Servicers' Guide in effect on the date of acceptance govern Purchase Contracts with dates of acceptance preceding December 31, 1993.

h. Construction of the Guide (05/01/14)

The Guide may not be construed against Freddie Mac as being the drafter.

i. Entire agreement (02/06/04)

The Guide, including the Glossary, forms and exhibits attached to the Guide and all Purchase and Servicing Documents incorporated by reference into the Guide, constitutes the entire understanding between Freddie Mac and the Seller/Service and supersedes all other agreements, covenants, representations, warranties, understandings and communications between the parties, whether oral or written, with respect to the transactions contemplated by the Guide.

j. Governing law (05/01/14)

The Guide will be construed, and the rights and obligations of Freddie Mac and the Seller/Service under the Guide will be determined, in accordance with the laws of the United States. To the extent that there may be no applicable precedent, and to the extent that to do so would not frustrate any provision of the Guide or the transactions governed by the Guide, the laws of the Commonwealth of Virginia will be deemed reflective of the laws of the United States.

k. Notice (06/30/16 08/25/26)

Unless otherwise specified in the Guide

- A Seller/Service must send any written notice to Freddie Mac required to be given pursuant to the Guide by first class mail to:
 - *Multifamily TAH Production*, or as otherwise indicated by Freddie Mac, for Targeted Affordable Housing Seller/Service
 - ~~*Small Balance Loan Team*, or as otherwise indicated by Freddie Mac, for SBL Seller/Service~~
 - *The Applicable Freddie Mac Multifamily Regional Office*, or as otherwise indicated by Freddie Mac, for all other Seller/Service
- Freddie Mac will send written notice by first class mail to the Seller or Service at its principal business office, as reflected in Freddie Mac's records.

Notice will be deemed to have been given as of the date such notice is deposited in the U.S. Mail, postage prepaid.

I. Damages (02/07/03)

Freddie Mac's liability for any losses, claims, actions, damages, suits, costs or expenses (including attorneys' fees) that may be incurred by a Seller/Servicer as a result of a delay or failure in the transfer of funds in connection with the purchase or the Servicing of a Mortgage will be limited to any direct damages that result from such failure or delay. Freddie Mac will not be liable for any special, indirect or consequential damages resulting from any such delay or failure.

1.4 Frequently used legal terms (02/07/03)

Certain provisions used frequently in the Guide will have particular legal meanings. Specifically, a reference to Mortgages "owned by Freddie Mac" means Mortgages owned by Freddie Mac in whole or in part (that is, Freddie Mac-owned whole Mortgages, and Freddie Mac-owned participation interests in Mortgages). The term "includes" when used in this Guide means "includes without limitation."

1.5 Using the Multifamily Seller/Servicer Guide (10/12/17)

1.5(a) Organization (10/12/17)	1.5(d) Exhibit numbering scheme (02/07/03)
1.5(b) Chapter and section numbering scheme (02/07/03)	1.5(e) Headings (12/05/03)
1.5(c) Design features (03/31/11)	

a. Organization (10/12/17)

The body of the Guide consists of the following:

1. An introduction
2. General Freddie Mac policies
3. Seller/Servicer requirements and warranties and Freddie Mac's policy for suspension or termination of a Seller/Servicer
4. Specific Mortgage purchase programs and products
5. General Mortgage eligibility and credit underwriting requirements
6. Title insurance, legal description, survey, leasehold, insurance and documentation delivery requirements, along with secured lending arrangements and requirements for retention of Mortgage files
7. General Freddie Mac Servicing policies
8. Mortgage Servicing, including compensation, Reserve requirements, prepayments, risk assessments, Transfers of Ownership and transfers of Servicing
9. Nonperforming Mortgage Servicing, including Delinquency, foreclosure and Real Estate Owned



10. Freddie Mac remedies, including repurchases and termination of Servicing
11. Accounting and reporting requirements
12. Documentation and deliveries to be submitted to Freddie Mac at underwriting or Transfer of Ownership
13. Third party reports requirements
14. The Glossary
15. Exhibits referenced in the Guide
16. Numbered forms referenced in the Guide
17. The Guide Directory

b. Chapter and section numbering scheme (02/07/03)

The Guide is divided into chapters and sections. Each chapter is identified by a number. For each section number, the digit or digits to the left of the decimal point identify the chapter and the digit or digits to the right of the decimal point identify the section within that chapter. For example, Section 60.4 is the fourth section of Chapter 60.

c. Design features (03/31/11)

Freddie Mac has incorporated design features in the Guide to help the reader find information. These features include:

1. The Guide Directory containing the addresses, telephone numbers and fax numbers of the Freddie Mac departments referenced in the Guide (For example, "Freddie Mac *Multifamily Purchase*" refers the user to the alphabetical list in the Guide Directory for the complete address, as well as telephone and fax numbers of the italicized department.)
2. Initial capitalization to emphasize terms in the text that are defined in the Glossary

d. Exhibit numbering scheme (02/07/03)

Exhibits are numbered consecutively.

e. Headings (12/05/03)

There are three levels of headings in the Guide: chapter titles, section titles and subsection titles. Chapters and sections are numbered as discussed in Section 1.5(b). The subsection, labeled with a letter, breaks up a section when the section is long and complex. Subsections help the reader find specific topics.

1.6 Headings and design features (12/05/03)

Headings and design features are written for convenience of reference only and do not constitute a part of this Purchase and Servicing Document.

1.7 Number and gender (12/05/03)

Unless the context otherwise requires, in the Guide:

- Words in the singular number include the plural, and words in the plural include the singular.
- Words of the masculine gender include the feminine and the neuter, and words of the feminine gender include the masculine and the neuter. When the sense so indicates, words of the neuter gender may refer to either gender.

1.8 Identification of forms (12/05/03)

Forms that are referenced in the Guide are Freddie Mac forms unless otherwise indicated.

1.9 Warranties (12/05/03)

All applicable warranties and representations deemed to have been made by the Seller or Servicer with respect to the Seller, the Servicer and/or each Mortgage are set forth in Chapter 5.

1.10 Trademark acknowledgments (02/07/08)

Word® is a registered trademark of the Microsoft Corporation.

1.11 Inconsistencies between Loan Documents and the Guide – Mortgages that have not been Securitized (05/01/14)

The terms of any Loan Documents take precedence over any conflicting requirements in the Guide.

1.12 Servicing Standard reference for securitized Mortgage Servicing (03/03/14)

1.12(a) Defined terms (03/03/14)	1.12(c) Inconsistencies between PSA and Guide (03/03/14)
1.12(b) Additional servicing guidance (03/03/14)	1.12(d) Inconsistencies between Loan Documents and Guide (03/03/14)

If the Pooling and Servicing Agreement (PSA) for a particular Securitization of Freddie Mac Mortgages refers to the Guide in connection with determining the appropriate standard for servicing those Mortgages, the Servicer with respect to that Securitization should consider the following items.

a. Defined terms (03/03/14)

The following Guide terms should be read as having the following meanings:



- “Freddie Mac” in the performing loan context should be read to refer to the decision maker with respect to a particular transaction, including the Master Servicer and the Special Servicer (as those terms are defined in the applicable PSA).
- “Seller/Servicer” or “Servicer” should be read to mean the entity which deals directly with the applicable Borrower, including the Master Servicer or a sub-servicer appointed by the Master Servicer pursuant to the terms of the PSA.

b. Additional servicing guidance (03/03/14)

In certain circumstances, Freddie Mac delegates to the Seller/Servicer the authority to review and approve Borrower requests. The review and analysis requirements and the decision-making criteria for those delegated authorities provide further explanation of the review, analysis and decision-making standards that Freddie Mac deems appropriate for such requests with respect to all Mortgages.

c. Inconsistencies between PSA and Guide (03/03/14)

The specific terms of any PSA take precedence over any conflicting Guide requirements, including, for example, those relating to Servicer advancing and reporting.

d. Inconsistencies between Loan Documents and Guide (03/03/14)

The terms of any Loan Documents take precedence over any conflicting requirements in the PSA or the Guide. However, if a Guide provision which is added or revised after Securitization of a Mortgage differs from the comparable Loan Document provision, and the Borrower requests a waiver or revision of the Loan Document provision, the Master Servicer should consider the Guide provision as Freddie Mac’s revised position with regard to the issue when evaluating the Borrower request.

Multifamily Seller/Service Guide

Chapter 2

General Freddie Mac Policies



General Freddie Mac Policies	
2.1 Requirements relating to Financial Crimes and the integrity of parties involved in Freddie Mac business (07/01/25)	2.16 Payment instructions (04/30/19)
2.2 Limitation on the number and amount of Mortgage purchases and commitments (10/07/02)	2.17 Delivery of documents and forms (06/25/20)
2.3 Limitation on the number and amount of multifamily Mortgages (12/16/25)	2.18 Freddie Mac Exclusionary List (07/01/25)
2.4 Sale of Mortgages by Freddie Mac (12/05/03)	2.19 Compliance and regulatory risk management (07/01/25)
2.5 Modification of programs and products (12/05/03)	2.20 Business continuity and recovery (09/01/26)
2.6 Race or racial composition of a neighborhood (12/05/03)	2.21 Email communications with Seller/Serviceers (07/01/14)
2.7 Freddie Mac audit (12/12/24)	2.22 Bank Secrecy Act Compliance (07/01/25)
2.8 Confidential information (10/21/25)	2.23 Office of Foreign Assets Control (OFAC) compliance (07/01/25)
2.9 Availability of Freddie Mac Multifamily Loan Documents and other legal forms (02/29/12)	2.24 Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) (07/01/25)
2.10 Co-marketing with the Freddie Mac Multifamily and Optigo® name, logo and offerings (06/23/26)	2.25 Equity Conflicts of Interest (08/25/26)
2.11 Minority-owned and women-owned business enterprises (06/27/19)	2.26 Information security (09/01/26)
2.12 Using the Freddie Mac Multifamily Software Applications (08/25/26)	2.27 Vendor risk management (10/19/23)
2.13 System administrator requirements (08/26/25)	2.28 Public Records Searches (08/25/26)
2.14 Electronic Signatures, Electronic Records, and data security (02/27/25)	2.29 Document retention and destruction (12/12/24)
2.15 Standard of care (02/07/08)	2.30 Use of Artificial Intelligence and Machine Learning (07/01/26)

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

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

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

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

2.3 Limitation on the number and amount of multifamily Mortgages (12/16/25)

Freddie Mac reserves the right to limit the number and/or aggregate dollar amount of multifamily Mortgages it will purchase.

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

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

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

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

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

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

2.7 Freddie Mac audit (12/12/24)

2.7(a) Before the audit (09/14/23)	2.7(b) After the audit (12/12/24)

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

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

Freddie Mac will inform Seller/Servicers who are scheduled to be audited that they must provide certain documentation to the Freddie Mac Multifamily Audit Lead through the Document Management System (DMS) or such other system or method as Freddie Mac may

approve. The Servicer must provide the requested documentation within the applicable time frame(s) stated in the engagement letter that Freddie Mac sends to the Seller/Servicer before Freddie Mac’s audit begins.

b. After the audit (12/12/24)

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

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

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

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

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

See also the provisions in Chapters 46SBL and 47.

2.8 Confidential information (10/21/25)

2.8(a) Receipt and treatment of confidential information (10/21/25)	2.8(b) Use of confidential information (10/21/25)

a. Receipt and treatment of confidential information (10/21/25)

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 of competent jurisdiction

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*, and provide reasonable cooperation to Freddie Mac, 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 without violation of the provisions of this Section 2.8
 - 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 or derivative information

b. Use of confidential information (10/21/25)

Freddie Mac may use, reproduce and disclose any documents, images, data, or other information submitted by Seller/Servicer ("Submitted Information") for the purposes for which the Submitted Information was provided to Freddie Mac and for Freddie Mac's other business purposes. Without limiting the foregoing, Freddie Mac may use Submitted Information for analytics, modeling, and risk management, including aggregating data from multiple Seller/Servicers for broader analysis. Freddie Mac may disclose Submitted Information: (a) as necessary for Freddie Mac's business purposes, including to investors, servicers, and regulators, (b) to the Federal Housing Finance Agency and Freddie Mac's

other regulators, and (c) as otherwise required by applicable law. Providing Submitted Information constitutes consent to such use and sharing.

For information about how Freddie Mac uses and protects personally identifiable information, review the [Freddie Mac Privacy Policy](#).

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

2.9(a) Freddie Mac Multifamily Loan Documents (02/29/12)	2.9(b) All 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 (06/23/26)

2.10(a) Optigo® Lenders (06/23/26)	2.10(d) Other entities (06/27/19)
2.10(b) Freddie Mac Multifamily Approved Structured Lenders (06/23/26)	2.10(e) Delivery of materials or requests for approval (06/23/26)
2.10(c) Seller/Servicers not approved to sell to Freddie Mac (06/23/26)	2.10(f) Withdrawal of approval (06/23/26)

a. Optigo® Lenders (06/23/26)

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 and Seniors Housing Mortgages.



If the materials are being used for any purpose other than to indicate approval to sell Freddie Mac Multifamily loans, including news releases promoting completed deals or executed loans, the Optigo Lender must provide Freddie Mac with a copy of the materials for Freddie Mac's review and approval prior to using these materials.

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 web page to Optigo program terms located on mf.freddiemac.com.

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

If an Optigo Lender uses Freddie Mac offering terms or information in its marketing materials or posts direct web links from its web page, 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. Freddie Mac Multifamily Approved Structured Lenders (06/23/26)

1. Approval to use the Freddie Mac Multifamily logos

A Seller/Service provider approved as a Freddie Mac Multifamily Approved Structured Lender may use the Freddie Mac Multifamily graphics in advertising, marketing or other promotional materials, provided that the Approved Structured 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 name

Without review by Freddie Mac, a Seller/Service provider approved as a Freddie Mac Multifamily Approved Structured Lender may advertise themselves using the "Freddie Mac Multifamily Approved Structured Lender" designation. If the name "Freddie Mac



Multifamily” is used in any other context, including news releases promoting completed deals or executed loans, the Approved Structured Lender must provide Freddie Mac with a copy of the materials for Freddie Mac’s review and approval prior to using these materials.

Approved Structured Lenders that are not approved Optigo Lenders are prohibited from using the “Optigo” name, logo or graphics within any advertising, marketing or other promotional materials.

3. Approval to use Freddie Mac Multifamily offering terms and other offering information

An Approved Structured Lender may use Freddie Mac Multifamily offering terms and offering information in whole or in part in its branded marketing materials if the following conditions are met:

- The Approved Structured Lender has not modified any Freddie Mac Multifamily trademarks or registered marks
- The Approved Structured Lender has not changed any program terms
- The Approved Structured 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 Approved Structured Lender may post direct web links from its branded web page to Freddie Mac Multifamily program terms located on mf.freddiemac.com.

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

If an Approved Structured Lender uses Freddie Mac offering terms or information in its marketing materials or posts direct web links from its web page, it is the obligation of the Approved Structured 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 Approved Structured Lenders of any such changes beyond Freddie Mac’s standard communications to all Freddie Mac Seller/Service providers regarding such changes.

c. Seller/Service providers not approved to sell to Freddie Mac (06/23/26)

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

d. 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.

e. Delivery of materials or requests for approval (06/23/26)

Optigo Lenders and Approved Structured Lenders must submit requests to use the Freddie Mac Multifamily graphics to the Freddie Mac Corporate Branding Group via the “Logo Use Permission” section of mf.freddiemac.com, http://www.freddiemac.com/terms/logo_use.html.

Optigo Lenders and Approved Structured 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.

f. Withdrawal of approval (06/23/26)

Freddie Mac may withdraw an approval to use the Freddie Mac Optigo Lender designation, the Approved Structured 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 or Approved Structured 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 or Approved Structured 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.

2.132.12 Using the Freddie Mac Multifamily Software Applications (~~10/21/08~~/25/26)

2.12(a) Authorization to use the Freddie Mac Multifamily Software Applications and Freddie	2.12(d) No Freddie Mac liability (09/30/20)

Mac Approved Third Party Applications (08/25/26)	
2.12(b) Seller/Service’s use of the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications (09/30/20)	2.12(e) Ownership of the Freddie Mac Multifamily Software Applications (10/21/25)
2.12(c) Seller/Service’s warranties (09/30/20)	2.12(f) Termination of the right to use the Freddie Mac Multifamily Software Applications (09/30/20)

a. **Authorization to use the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications (08/25/26/25)**

Freddie Mac authorizes each Seller/Service to use the Freddie Mac Multifamily Software Applications, at no cost to the Seller/Service, 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)
- Insurance Compliance Tool (ICT)
- Multifamily Eligibility System (MES)
- Multifamily Securities Investor Access tool (MSIA)
- Multifamily Seller/Service Guide via AllRegs® Online (Guide)
- myOptigo®
- Origination and Underwriting System (OUS)
- ~~Property Reporting System (PRS)~~
- ~~Small Balance Loan Production Pipeline Manager (PPM)~~

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

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

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



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

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

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

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

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

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

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

e. Ownership of the Freddie Mac Multifamily Software Applications (10/21/25)

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

The Seller/Service agrees that Freddie Mac shall be the sole and exclusive owner of any actual or proposed changes, modifications, upgrades or enhancements in functionality, design or otherwise, to the Multifamily Software Applications and any successor products or systems (collectively, the "Enhancements"), and the Seller/Service hereby assigns, and agrees to assign, to Freddie Mac all rights in the Enhancements, without any recourse to the Seller/Service. The Seller/Service understands and acknowledges that Freddie Mac shall not be under any obligation to consider or implement any Enhancements it may suggest or recommend to Freddie Mac.

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.

2.442.13 System administrator requirements (08/26/25)

2.13(a) Seller/Service assignment of a system administrator (06/17/21)	2.13(c) System administrator certification of valid users (08/26/25)
2.13(b) System administrator responsibilities (08/26/25)	2.13(d) Seller/Service officer verification and certification of system administrators (08/26/25)

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

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

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

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

b. System administrator responsibilities (08/26/25)

The system administrator is required to identify:

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

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

- Enter the user’s contact information in FAM, to provide access to myOptigo and Multifamily secure content



- Enter the user's contact information in both FAM and in OUS, to provide access to OUS and to facilitate myOptigo digital loan submissions
- Complete the DMS New User Setup, Reactivation, Modification 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 ICT User Access Request and submit it to MF_Service_Desk@freddiemac.com, to provide access to the Insurance Compliance Tool
- Enter user information into PRS to manage access to that software application
- Enter user information into MES to manage access to that software application
- Confirm or revoke requests for user access to CRT as appropriate
- Work with the third-party service provider to manage user access for the applicable Freddie Mac Approved Third Party Application

When an employee or vendor for a Seller/Servicer leaves the Seller/Servicer's employ or transitions to a role that no longer requires access to any Freddie Mac Multifamily Software Application or Freddie Mac Approved Third Party Application, the system administrator must, take each of the following actions in a timely manner:

- Revoke the user's access in FAM
- Revoke the user's access to OUS
- 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
- 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 (08/26/25)

At least twice a year, Freddie Mac will provide a user listing to the Seller/Servicer's system administrator(s), who must review the listing and certify to Freddie Mac that each user granted access to a Multifamily Software Application is a current employee of the Seller/Servicer or a vendor for the Seller/Servicer, that the user has the appropriate application access and authority level based on the user's roles and responsibilities, and that the user contact information, including the user's email address, is correct. The system

administrator must complete Form 1148, System User Verification and Certification, to make such certifications.

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

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

d. Seller/Servicer officer verification and certification of system administrators (08/26/25)

At least twice a year, an authorized officer of the Seller/Servicer must review and verify the record for each of its system administrators and certify the following to Freddie Mac:

- Each of the current system administrators is a current employee of or vendor for the Seller/Servicer with appropriate application access and authority level based on the system administrator's roles and responsibilities, and
- All system administrator contact information, including the system administrator's email 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.

2.452.14 Electronic Signatures, Electronic Records, and data security (02/27/25)

2.14(a) Overview (05/05/17)	2.14(h) Limit on Freddie Mac's liability (02/06/04)
2.14(b) Definitions (06/30/16)	2.14(i) Method of notification (02/27/25)
2.14(c) Scope of Electronic Transactions and Electronic Signatures (05/05/17)	2.14(j) Electronic Signatures from Borrowers (05/05/17)
2.14(d) Security standards (06/13/24)	2.14(k) Electronic Signatures from third parties (06/30/16)
2.14(e) Compliance with security standards (12/12/24)	2.14(l) Electronic Signatures from Seller/Servicers (05/05/17)
2.14(f) Seller/Servicer's agreement regarding Electronic Records and Electronic Signatures (06/25/20)	2.14(m) Governing law (06/30/16)

2.14(g) Indemnification (06/30/16)	2.14(n) Conflict (06/30/16)

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, websites, 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 email
- Electronic information communicated or transmitted using Electronic means permitted or required by Freddie Mac



- **E-SIGN**

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

- **Electronic Signature**

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

- **Electronic Transaction**

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

- **Host**

Any third party selected by the Seller/Servicer or Freddie Mac to act as a website host

- **ISP**

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

- **Record**

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

- **UETA**

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

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

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

d. Security standards (06/13/24)

1. Minimum standards



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

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

2. Restricted access from foreign countries or regions

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

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

1. Minimum security standards

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

2. Notification of Security Incident

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

3. Failure to adopt or maintain standards

The Seller/Service's failure to adopt and maintain appropriate security measures or to



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

4. Seller/Service's 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 (02/27/25)**

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.

2.162.15 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.

2.172.16 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).

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

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

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

2.192.18 Freddie Mac Exclusionary List (07/01/25)

2.18(a) Purpose of the Exclusionary List (06/28/13)	2.18(g) Servicer representations and warranties regarding a Transfer of Ownership (09/28/18)



2.18(b) Access to the Exclusionary List (02/15/21)	2.18(h) Waiver of Servicer representations and warranties regarding the Exclusionary List (07/01/25)
2.18(c) Use of the Exclusionary List (07/01/25)	2.18(i) Reporting obligations of the Seller and Servicer (07/01/25)
2.18(d) Process for placement on the Exclusionary List (07/01/25)	2.18(j) Confidentiality and use of the Exclusionary List (06/29/18)
2.18(e) Controls regarding use and confidentiality of the Exclusionary List (09/28/18)	2.18(k) Indemnification (06/29/18)
2.18(f) Waiver of Seller representations and warranties regarding Persons on the Exclusionary List (07/01/25)	2.18(l) Remedies (10/07/11)

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

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

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

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

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

The Seller/Servicer must use the Exclusionary List only for the purposes set forth in this Section 2.18(c). Except as provided in Section 2.18(f), if a party on the Exclusionary List has played one of the roles set forth in this Section or in Chapter 7 with respect to the origination of a Mortgage, a Transfer of Ownership, or the underlying real estate transaction, the Mortgage is not eligible for sale to Freddie Mac or for Freddie Mac's approval of a Transfer of Ownership, as applicable. The Seller/Servicer must have written practices and procedures in place that instruct employees how to conduct searches of the Exclusionary List and how to verify and address potential positive and positive matches.

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

- Assistance with verifying potential matches



- Questions about access to and content of the Exclusionary List

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

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

The Seller/Servicer must comply with the provisions of Chapter 7 with respect to the screening against the Exclusionary List of individuals and entities employed by or contracted to the Seller/Servicer for the purpose of working on any origination or servicing transactions involving Freddie Mac Mortgages.

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

Seller/Servicer must use the Exclusionary List to screen each applicable individual and entity that is a Borrower Transaction Party or a Third-Party Vendor in connection with the origination of a Mortgage and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File in accordance with the requirements set forth in the Guide and the [Public Records Search Requirements](#). See also Section 2.28 and Chapter 7.

3. Screen parties involved in a Transfer of Ownership.

The Servicer must use the Exclusionary List to determine whether a person or entity whose name is on the Exclusionary List has played one of the roles set forth in this Section and in Chapter 7 in the Transfer of Ownership or in the underlying real estate transaction.

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

With respect to proposed Transfers of Ownership and Servicing-related transactions, Servicers must follow the procedures set forth in Section 4.28 if they determine there is a suspected or confirmed Exclusionary List match.

4. Screen proposed new property management companies.

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

d. [Process for placement on the Exclusionary List \(07/01/25\)](#)

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



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

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

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

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

f. Waiver of Seller representations and warranties regarding Persons on the Exclusionary List (07/01/25)

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

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

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

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



h. Waiver of Servicer representations and warranties regarding the Exclusionary List (07/01/25)

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

The Servicer must make such request to the Freddie Mac Multifamily Financial Crimes [Mailbox](#).

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

i. Reporting obligations of the Seller and Servicer (07/01/25)

The Seller/Servicer must immediately report the discovery of any possible breach of its warranties regarding the Exclusionary List. The Seller/Servicer must make such report to the Freddie Mac Multifamily Financial Crimes [Mailbox](#).

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

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

k. Indemnification (06/29/18)

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

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.



2.212.19 Compliance and regulatory risk management (07/01/25)

2.19(a) Policies and procedures (01/01/25)	2.19(b) Chief Compliance Officer (07/01/25)

a. 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 (07/01/25)

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

Except as otherwise agreed in writing by Freddie Mac, the CCO must be an officer of the Seller/Servicer. Additionally and optionally, Seller/Servicers may designate a Deputy CCO as a backup to the CCO. Designation of new CCOs or optional Deputy CCOs, or any

changes to these roles, must be reported to Freddie Mac via Form 1107M (Multifamily Seller/Servicer Change Notification) within 30 calendar days.

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

- Financial Crimes and other Suspicious Activity (see Chapter 7)
- Business continuity and recovery (see Section 2.20)
- Vendor risk management (see Section 2.27)
- Data security (see Section 2.26)
- Other compliance and regulatory matters (including Section 2.19(a) above)

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

2.222.20 Business continuity and recovery (09/01/26)

2.20(a) Business Continuity Plan (09/01/26)	2.20(c) Business Disruption notification requirements (12/12/24)
2.20(b) Business Continuity Plan training (12/12/24)	

a. Business Continuity Plan (09/01/26)

Seller/Servicers and Material Vendors that present information security risk to Freddie Mac (i.e., those that have access to Freddie Mac data or systems) must implement and maintain a business continuity and disaster recovery plan (“Business Continuity Plan”) that provides for the assured and continuous delivery of core operations in the event of a disaster or an incident involving a loss of, or material impact to, any facilities and personnel deemed critical to core operations (“Business Disruption”). The Business Continuity Plan must include:

- Documentation that the Business Continuity Plan can sustain the Seller/Servicer’s core operations through an event involving total loss of any facilities and personnel deemed critical to core operations
- Defined recovery time objectives and a strategy for meeting those objectives
- Documentation that the Business Continuity Plan has in place backup sites with the ability to recover all core operations if a Business Disruption prevents operations at any Seller/Servicer facility
- Geographically dispersed work areas and resources available in the event of a regional disruption
- Documented procedures for crisis management, plan invocation and activation of recovery sites

- Identification of all mission-critical systems, external dependencies, network diversity, vital records, personnel and the provisions in place to ensure their continued availability
- Standards and controls that are appropriate for customers participating in the critical financial services markets
- A business impact analysis (BIA) of the organization’s critical processes. At a minimum, the BIA must specify critical systems, Freddie Mac data, key locations, key resources (employees), third parties, single points of failure, recovery time objectives, recovery point objectives and maximum acceptable outages.

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

The Seller/Servicer must implement and maintain metrics and controls to track and/or determine any need for changes to the Business Continuity Plan.

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

b. Business Continuity Plan training (12/12/24)

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

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

c. Business Disruption notification requirements (07/01/26)

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 a Security Incident, as defined in Section 2.26(c), the Seller/Servicer must follow the requirements in Section 2.26(c).

Business Disruption notification requirements	
The Seller/Servicer must...	
1.	Immediately, and in no event later than 36 hours after the Business Disruption is discovered notify Freddie Mac of the Business Disruption via email at MultifamilySSCompliance@freddiemac.com and:
1a.	Provide the name, phone number and email address of the contact leading the Business Disruption investigation

Business Disruption notification requirements	
The Seller/Servicer must...	
1b.	Promptly investigate, correct and/or mitigate the Business Disruption at the Seller/Servicer's expense, including by identifying Freddie Mac information affected by the Business Disruption and preventing the continuation and recurrence of the Business Disruption
1c.	Provide Freddie Mac with such information as Freddie Mac may reasonably request to evaluate the effect of the Business Disruption on Freddie Mac and Freddie Mac's operations
1d.	Provide Freddie Mac via email at MultifamilySSCompliance@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 MultifamilySSCompliance@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

2.232.21 Email communications with Seller/Servicers (07/01/14)

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

2.242.22 Bank Secrecy Act compliance (07/01/25)

2.22(a) Seller/Servicers subject to the Bank Secrecy Act (07/01/25)	2.22(c) Notifications of Non-Compliance (07/01/25)
2.22(b) Seller/Servicers not subject to the Bank Secrecy Act (07/01/25)	

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

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



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

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

The compliance program should consist of the following:

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

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

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

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

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

It is the Seller/Service provider's responsibility to determine compliance with these OFAC requirements, and to verify that the names of any applicable individuals and entities do not appear on the most current OFAC Lists in accordance with the requirements set forth in the Guide and the [Public Records Search Requirements](#). The Seller/Service provider must maintain evidence (including the date of



the search) of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage or any Servicing-related transaction, as applicable.

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

2.24 Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) (07/01/25)

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

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

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

<http://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx>.

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

It is the Seller/Servicer's responsibility to verify that each applicable individual and entity is not a Named Party on the FHFA SCP List in accordance with the requirements set forth in the Guide and the [Public Records Search Requirements](#). The Seller/Servicer must maintain evidence (including the date the search was conducted) of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage or any Servicing-related transaction, as applicable.

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

2.25 Equity Conflicts of Interest (~~06/23~~08/25/26)

(a) An Equity Conflict of Interest occurs when:

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



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

- The Employee-Level Owner does not currently have, or have the ability to assume, control of the Borrower
 - The property inspection and lease audit is not delegated by Freddie Mac to the Seller/Servicer. Additionally, such Employee-Level Owner may not be the sole representative of the Seller/Servicer participating in the inspection.
 - If there are multiple Employee-Level Owners with equity interests in the same Borrower, the five percent threshold is applied to total combined interests per Seller/Servicer
- (ii) The Seller/Servicer, an affiliate of the Seller/Servicer, an executive employee of the Seller/Servicer, or a family member of an executive employee of the Seller/Servicer (“Seller/Servicer-Level Owner”) has an equity interest in the applicable Borrower.

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

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

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

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

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

2.26 Information security (09/01/26)

2.26(a) Information security minimum requirements (09/01/26)	2.26(c) Compliance with Freddie Mac Security Incident requirements (01/01/26)
2.26(b) Access control (01/01/26)	

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



access to Freddie Mac's proprietary information, data and consumer personal non-public information in:

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

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

The [National Institute of Standards and Technology \(NIST\)](#) and the [International Organization for Standardization \(ISO\)/International Electrotechnical Commission \(IEC\) Standards](#) provide detailed guidance on their public websites 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 (09/01/26)

(i) Information security program

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

- User responsibilities (e.g., acceptable use)
- Ownership of information
- Baseline security practices
- Physical, administrative and technical security protection mechanisms



- Other requirements, including those described in this section

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

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

(ii) Human resources security

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

- **Pre-employment screening:** Each Seller/Servicer must conduct, or retain a qualified third party to conduct, thorough background verification checks (screening) for all candidates for employment or contractor status who will have access to Freddie Mac information.
- **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:** Annually, each Seller/Servicer must provide information security awareness training to all employees of its organization, and, where relevant, contractors of the Seller/Servicer's information technology. The training must be current in substance, reflecting up-to-date vulnerabilities, threats and techniques and provide information on roles and responsibilities for all users in protecting information at the Seller/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
- An ongoing and updated inventory of individuals gaining access to buildings and facilities containing information systems with periodic review of such access at least annually



- Steps and controls to limit access to sensitive and restricted areas (network rooms, vaults, etc.) only to authorized individuals on an as-needed basis following least privileged access protocols
- 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
- A clean desk policy that ensures that Freddie Mac confidential information and Protected Information are stored securely

(iv) 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 and be consistent with industry best practices (e.g., those set forth by ISO/IEC or NIST), whichever is more stringent.

(v) Data transmission and data loss prevention

The Seller/Servicer must:

- Maintain a data loss prevention/transmission protection mechanism or establish in related written policy requirements to protect the confidentiality and integrity of information exchange using technology applications or information systems, including requirements for secure data transmission across company information systems, networks and external (public and third-party) networks.
- Ensure adequate and up-to-date data loss prevention (DLP) software is used and a corresponding management process is in place to scan for sensitive information stored on disk and outgoing transmissions over public communication paths as well as to restrict the transfer of data to USB and other removable media devices at the desktop level.
- Not transmit, and have measures in place to prevent transmission, to Freddie Mac system(s), through an application programming interface or otherwise, any Malicious Code. “Malicious Code” means software or firmware intended to perform an unauthorized process that may have adverse impacts on the confidentiality, integrity, or availability of an information system (including, without limitation, data in transit), such as a “virus,” “time bomb,” “worm,” “trojan horse,” or other code-based entity that infects a host; ransomware, spyware and certain forms of adware are also examples of Malicious Code.
- Establish an incident response plan for data loss prevention policy violations. Ensure staff are trained to respond to potential data loss incidents.

(vi) Anti-virus program/updates



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

(vii) Network security

The Seller/Service must:

- Implement information technology controls to block all traffic inbound from, and outbound to public networks that have not been expressly permitted by policy (i.e., “deny by default”)
- Manage and restrict ports, protocols and services to only those that are required and approved for business operations
- Implement mechanisms to monitor network traffic and detect anomalous network traffic
- Formally recertify and authorize firewall rules upon each significant change in infrastructure and otherwise at least annually
- Establish a comprehensive strategy and process for endpoint detection and response (EDR) that includes continuous monitoring of EDR and remote access technologies to detect any misuse or abuse
- Define a network segmentation strategy, commensurate with the Seller/Service’s risk profile, that is documented in policies and procedures and requires physical and logical segmentation from the user environment

(viii) Mobile computing

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

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

(ix) Wireless networks

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



- Implement and keep up-to-date a strong Wireless Local Area Network (WLAN) Authentication method that meets or exceeds the current industry standard (e.g., those set forth by NIST or ISO/IEC) Encryption strength and technology
- Prohibit use of outdated wireless technologies such as Wired Equivalent Privacy (WEP) algorithm
- Regularly perform reviews of approved wireless networks to validate and verify authorized users and access points
- Password protect and control administrative access to the router

(x) Vulnerability Management and penetration testing

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

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

(xi) Configuration and patch management

The Seller/Service must:

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



- Document a process to identify and respond to malicious domains, taking immediate action to block access to these domains across all network and endpoint security systems.
- Designate qualified personnel responsible for performing timely software updates and patches and maintain a process for testing and installing software updates as they become available

(xii) Auditing, logging and monitoring

The Seller/Service Provider must:

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

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

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

If the Seller/Service Provider develops or acquires any application or software that stores, accesses, processes or transmits Freddie Mac information, the Seller/Service Provider must develop, implement and maintain written SDLC requirements that:

- Establish roles and responsibilities defining who is responsible and accountable for each phase and step of the development process
- Standardize the stages (e.g., planning, analysis, design, development, testing, deployment, maintenance) for all projects and adhere to separation of non-production, testing and production environments
- Integrate security practices throughout the process of development (e.g., DevSecOps) as follows:
 - Adherence to formal and industry recognized standards must be included. Where applicable, these standards may include (among others):
 - Open Web Application Security Project Top 10,
 - The NIST Secure Software Development Framework,



- ISO and IEC 27034,
- Computer Emergency Response Team Secure Coding, and
- Computer Information Systems Controls
- When incorporating open-source code, a dependency inventory Software Bill of Materials must be documented and maintained
- Vulnerability testing during all phases prior to moving code into production must be conducted
- Establish formal quality assurance practices, including rigorous testing during all phases. At a minimum, Seller/Service must perform Dynamic Application Security Testing and/or Static Application Security Testing scans on code and document results.
- Establish a formal, documented and accountable change management process

(xiv) Treatment of personal information and Data Encryption

(i) Treatment of sensitive information

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

(ii) Data Encryption

The Seller/Service must:

- Provide for the protection, integrity and confidentiality of data in transit and at rest
- Use Encryption during transmission and at rest for any potentially sensitive personal information
- Deploy cryptography standards that meet or exceed the then current industry standard (e.g., those set forth by NIST or ISO/IEC) Encryption strength and technology
- Prohibit use of outdated and unsupported technologies
- Generate, exchange, store, use, replace and delete cryptographic keys in a timely manner to prevent unauthorized access to those keys



- Maintain an encryption solution that enables the recovery of a compromised database administrator account
- Maintain encryption solutions that allow privileged administrators to complete required actions without the ability to decrypt data
- Use Encryption mechanisms on portable end-user devices to protect data, including potentially sensitive personal information, if the hardware (e.g., laptop, mobile device) is lost or stolen

(xv) Incident management

The Seller/Servicer must:

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

The plan must:

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

b. Access control (01/01/26)

(i) Access management policy

As part of its information security program, a Seller/Servicer 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, including third parties, on a need to know basis. Access to potentially sensitive personal information must be limited to only those that must use it to perform their work.
 - Define and enforce requirements for multi-factor authentication where applicable (privileged sessions, remote connectivity, applications housing personal information, etc.).
 - Manage Seller/Servicer user accounts for Freddie Mac systems in accordance with the Guide and its applicable Purchase and Servicing Documents. Seller/Servicers must monitor for users who transfer roles or are terminated and no longer need access to their accounts as required in Section 2.13.

(ii) Granting, removing and reviewing access

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

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

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

(iii) Authentication requirements and guidelines

Seller/Servicers must require employees to authenticate or prove their identity to the system with a multifactor authentication method or process which includes:



- User identification codes
- Passwords
- Personal identification numbers
- A smart card and/or a token device

Ensure that this process is fatigue resistant. Ensure that all access to Freddie Mac data requires multifactor authentication.

If passwords are used, the authentication policy must mandate minimum guidelines for password complexity, reuse timelines and password change timelines, and storage of passwords outside of secured password safes.

Seller/Service providers must utilize password vaults with multifactor authentication and ensure that no passwords are stored in unsecured files.

(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.

Seller/Service providers must develop procedures for continuous monitoring of access and usage of Freddie Mac confidential information and potentially sensitive personal information to detect and respond to any unauthorized access or anomalies.

(v) Cloud computing

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

The policy must address:

- **Due diligence:** Specify appropriate due diligence responsibilities and ongoing oversight and monitoring of the cloud service providers' security and understand concentration risk dependencies when using cloud computing
- **System vulnerabilities:** Articulate processes and responsibilities to securely configure cloud systems, provision access, and log and monitor the Freddie Mac information assets residing in or being processed in the cloud environment
- **Identity and access management:** Define roles for cloud access management, limiting account privileges, implementing multifactor authentication, frequently



updating and reviewing account access, monitoring activity, and requiring privileged users to have separate usernames and passwords

- **Security controls for sensitive data:** Define responsibilities for implementing controls to safeguard sensitive data, including sensitive personal information, and limit a malicious actor's ability to exploit data during a breach

(vi) Vendor risk management

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

c. Compliance with Freddie Mac Security Incident requirements (01/01/26)

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

- The Seller/Service provider knows or reasonably believes that there has been any unauthorized access to, or acquisition of, data or computing resources to Freddie Mac systems, Seller/Service provider systems, including any parent or subsidiary company's system, or the systems of vendors that may compromise the security, confidentiality, availability, integrity or privacy of Freddie Mac information (examples include a phishing email or malware attack, etc.) ["Security Incident"], or
- From the circumstances and available information, a reasonable information security professional could conclude that there has been a Security Incident

1. Notification to Freddie Mac

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

If the Seller/Service provider is unable to access the form, notification may be done via email at Information_Security@freddiemac.com, Privacy_Incident_Management@freddiemac.com and MF_Data_Security_and_Privacy@freddiemac.com (ensure to include all email addresses) or by calling (571) 382-3333.

2. Obligation to investigate and remediate

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

3. Information to be provided to Freddie Mac



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

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

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

(i) Technical information

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



- o. Final incident closure report

(ii) Freddie Mac and any potentially sensitive personal information

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

(iii) Compliance information

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

4. Compliance with laws

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

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

5. Limitation, restriction or termination of system access

Whether in connection with the actual or suspected presence of Malicious Code, a Security Incident, or otherwise, Freddie Mac reserves the right, in its sole and absolute



discretion, at any time with or without notice, to limit, restrict and/or terminate a Seller/Servicer's access to any system(s), temporarily or permanently.

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

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

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.

2.28 Public Records Searches (~~04/22~~08/25/26)

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

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

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

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

- Identification or definition of the electronic or other information which are subject to the policies, including how to handle electronic or other information that is, or may be, subject to a legal or litigation-related hold

- A data storage, retention and destruction schedule
- Clearly defined criteria for destruction of electronic or other information, regardless of the form in which the information is stored
- Destruction methodology, including a process for logging and certifying such destruction has been completed

When electronic or other information is destroyed in accordance with Seller/Service’s corporate policies in the ordinary course, or at Freddie Mac’s direction, such information must be rendered unreadable and incapable of being re-created. Paper records must be properly and securely destroyed, and Seller/Service must retain evidence of destruction. Upon request, Seller/Service will provide to Freddie Mac certificates of destruction or other evidence demonstrating the fact, time and manner of destruction, be it electronic, paper, hard drive or other media, which contained the destroyed information. Such certification or evidence is in addition to any other obligations that Seller/Service may have with respect to the destroyed information.

2.30 Use of artificial intelligence and machine learning (07/01/26)

2.30(a) Compliance with applicable law (07/01/26)	2.30(c) Governance framework (07/01/26)
2.30(b) Indemnification (12/12/24)	

a. Compliance with applicable law (07/01/26)

Seller/Service’s that use artificial intelligence and/or machine learning (together, “AI/ML”) in connection with the origination of Mortgages sold to Freddie Mac or Servicing Mortgages on behalf of Freddie Mac must ensure compliance with applicable law and their Servicing and Purchase Documents.

In addition, such use is conditioned upon:

- Seller/Service’s development, implementation and maintenance of policies and procedures for the use of AI/ML, which must at a minimum:
 - Be approved by Senior Management, including, at a minimum, the Chief Information Officer, Chief Technology Officer, Chief Information Security Officer, Chief Risk Officer, or Head of Artificial Intelligence (or the equivalents thereof)
 - Be communicated to appropriate personnel who have job responsibilities in areas that use AI/ML; and
 - Have an owner(s) that implements, maintains and reviews the policies and procedures at least annually to ensure they comply with applicable law and consistently reflect industry best practices



- Upon request by Freddie Mac, Seller/Service's prompt disclosure of the types of AI/ML used, the purpose and manner for such use, safeguards to mitigate risks related to the use of AI/ML, and such other information as Freddie Mac may require

b. Indemnification (12/12/24)

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

c. Governance framework (07/01/26)

Seller/Service must establish clear governance frameworks for AI/ML adoption that address the following:

- Policies, processes, procedures and practices across the organization related to the mapping, measurement and management of AI risks are in place, transparent and implemented effectively
- Legal and regulatory requirements involving AI are understood, managed and documented
- The characteristics of trustworthy AI are integrated into organizational policies, processes, procedures and practices
- Processes, procedures and practices are in place to determine the level needed of risk management activities based on the organization's risk tolerance
- Establish clear policies and codes of conduct to ensure the following:
 - The characteristics of trustworthy AI are integrated into organizational policies, processes, procedures and practices
 - Processes, procedures and practices are in place to determine the level needed of risk management activities based on the organization's risk tolerance
 - The risk management process and its outcomes are established through transparent policies, procedures and other controls based on organizational risk priorities
- Apply segregation of duties to prevent conflicts of interest and ensure the following:
 - Accountability structures are in place so that the appropriate teams and individuals are empowered, responsible and trained for mapping, measuring and managing AI risks



- Roles and responsibilities and lines of communication related to mapping, measuring and managing AI risks are documented and are clear to individuals and teams throughout the organization

Seller/Servicer must perform the following:

- Assess AI/ML for specific threats such as data poisoning and adversarial inputs
- Conduct regular internal and external audits to identify any potential vulnerabilities or deviations from established policies. Ongoing monitoring and periodic review of the risk management process and its outcomes must be planned and organizational roles and responsibilities clearly defined, including determining the frequency of periodic review.
- Regularly monitor AI systems for performance, security breaches and biases
- Conduct audits to ensure compliance with standards like National Institutes of Standards and Technology 800-53 and International Organization for Standardization 27001

Multifamily Seller/Servicer Guide

Chapter 3

Seller/Servicer Eligibility Requirements



Seller/Servicer Eligibility Requirements	
3.1 Freddie Mac Seller/Servicer requirements and designations (08/25/26)	3.10 Loans-in-process and existing Mortgages (07/31/12)
3.2 Branch production offices and geographic areas for Optigo Conventional Lenders (Conventional Seller/Servicers) (06/15/23)	3.11 Disposition of application; confidentiality (02/07/08)
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3.4 Servicer-only net worth requirements (01/01/11)	3.13 Additional requirements applicable to TAH Seller/Servicers (08/18/22)
3.5 Annual Certification Report (02/06/17)	3.14 Additional requirements applicable to Seniors Housing Seller/Servicers (09/01/16)
3.6 Reporting requirements for internal control and mortgage bankers quarterly financial report (12/16/21)	3.15 Additional requirements applicable to Seller/Servicers (08/25/26)
3.7 Seller/Servicer numbers (06/27/19)	3.16 Seller/Servicer's fidelity and errors & omissions insurance coverage (06/23/26)
3.8 Seller/Servicer change notification requirements (08/15/24)	3.17 Non-discrimination (12/16/25)
3.9 Seller/Servicer Material Vendor change notification requirements (06/15/23)	



3.1 Freddie Mac Seller/Servicer requirements and designations (~~06/23~~08/25/26)

3.1(a) Optigo Lender (08/25/26)	3.1(c) Freddie Mac Multifamily Servicing-only approval (06/17/21)
3.1(b) Freddie Mac Multifamily Structured Transaction Seller/Servicer (06/23/26)	3.1(d) Prescreen and Application Processes and fees (08/25/26)

Each Freddie Mac Seller/Servicer 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~~08/25/26)

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.~~

3. ~~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 Transactions (06/23/26)

1. Structured Transaction Seller/Servicer

Freddie Mac may approve a Seller/Servicer for a one-time structured transaction Securitization that is comprised of seasoned collateral originated by the Seller/Servicer. If approved, the Seller/Servicer will be an approved Freddie Mac Multifamily Structured Transaction Seller/Servicer for that specific deal. Structured Transaction Seller and Structured Transaction Servicer approvals are separate approvals. Receiving one approval does not guarantee the applicant will receive the other.

2. Approved Structured Lender

Freddie Mac may approve a Seller/Servicer for an Approved Structured Lender designation to originate mortgages specifically for Freddie Mac Structured Transactions and act as Servicer, if approved for this role. Additionally, an Approved Structured Lender will have the ability to complete Structured Transactions on a continuous basis with rolling term sheets and market themselves as having this designation.

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 (02/2408/25/26)

To begin the process to become an approved Freddie Mac Seller/Service, 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 eligibility requirements in this Chapter 3.

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/Service's application to become an approved Freddie Mac Seller/Service.

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

Prescreen Review Fee		
Designation	Fee	Notes
Conventional Seller/Service	\$5,000	- Freddie Mac may adjust the fee based on prior approval and transaction type - There is no additional fee for an approved Conventional Seller/Service to become an approved Seniors Housing Seller/Service
TAH Seller/Service		
~~SBL Seller/Service~~		

~~Effective for all new requests beginning on February 24, 2026, the~~The application fee to become an approved Freddie Mac Seller/Service is as follows:

Application fee to become an approved Seller/Service		
Designation	Fee	Notes
Conventional Seller/Service	\$50,000	- Freddie Mac may adjust the fee based on prior approval and transaction type - There is no additional fee for an approved Conventional Seller/Service to attain a Seniors Housing or
TAH Seller/Service		



		Conventional Forward Commitment designation
~~SBL Seller/Servicer~~		
Servicer-only	\$30,000	

~~Effective for all new requests beginning on February 24, 2026, the~~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	\$30,000	- Structured Transaction Seller/Servicers will be charged a one-time fee during the approval process - Returning counterparties will not be charged a fee
Structured Transaction Seller-only	\$15,000	Same notes as above plus: - The servicing must be performed by a current Optigo Seller/Servicer - The fee must be paid by the Structured Transaction Seller, not the current Optigo Seller/Servicer performing the servicing
Low Income Housing Tax Credit ("LIHTC") Syndicator	\$10,000	LIHTC Syndicators will be charged a one-time fee during the approval process

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 and minimum servicing volume and experience requirements
(~~06/23~~08/25/26)

3.3(a) Net worth and minimum servicing volume requirements (06/23/26)	3.3(b) Additional financial requirements for Seller/Servicers (08/25/26)

a. Minimum net worth and other financial eligibility requirements, and minimum servicing volume and experience requirements (06/23/26)

These requirements are effective for financial reporting for the period ending December 31, 2026.

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	Minimum \$2 million in Liquid Assets AND Cash-over-expenses (COE) ratio equal to or greater than 5%



Eligibility topic	Requirement
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 3.3(a):

- 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
- COE is calculated as the ratio of rolling four-quarter average of unrestricted cash and cash equivalents over total gross non-interest expenses that are reported in [Form 1055, Mortgage Bankers Financial Reporting Form](#).
- Eligible Liquid Assets can include any or all of the following:
 - Unrestricted cash and cash equivalents, and unpledged Treasury bills, money market investments or certificates of deposit with maturities of one year or less, or **allowable**
 - **Allowable** unpledged marketable securities, which include short-term, investment-grade securities either held for sale or trading, such as agency mortgage-backed securities, obligations from Government Sponsored Enterprises, and Treasury obligations

b. Additional financial requirements for ~~non-SBL~~ Seller/Servicers (10/17/2408/25/26)

The Seller/Servicer must demonstrate to Freddie Mac that it has sufficient capitalization, profitability, 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.

~~a. Additional requirements and considerations for SBL Mortgages (10/17/24)~~

~~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, 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)

3.5(a) Multifamily Annual Certification Report, Form 16M (02/06/17)	3.5(c) Multifamily Annual Certification Report – Servicer Only, Form 1110M (05/11/10)
3.5(b) Multifamily Annual Certification Report – Multifamily Structured Transaction & Tax-Exempt Bond Seller/Servicers, Form 17M (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)

3.6(a) Internal control report (12/16/21)	3.6(b) Mortgage bankers quarterly financial report (02/07/08)

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)

3.7(a) Use by Seller/Servicers (06/27/19)	3.7(b) Use by affiliates of Seller/Servicers (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 (08/15/24)

3.8(a) Seller/Servicer changes requiring 60-day advance notice and Freddie Mac approval (08/15/24)	3.8(d) Seller/Servicer and parent changes requiring immediate notice to Freddie Mac (06/13/24)
3.8(b) Seller/Servicer changes requiring 30-days' notice to Freddie Mac (02/16/23)	3.8(e) Seller/Servicer changes requiring subsequent notice to Freddie Mac (06/13/24)
3.8(c) Seller/Servicer changes requiring 14-days' notice to Freddie Mac (02/16/23)	

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 (08/15/24)

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. Change in its charter regarding its purpose or authority
- g. Conversion (such as a thrift institution converting from mutual to stock form)
- h. 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. A change of the Seller/Servicer's fiscal year-end

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. 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. 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. As applicable, pro forma balance sheet for the resulting entity
- g. As applicable, copies of any applicable regulatory approvals

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 for [Transfer of Servicing Agreement – Form 981M](#) or [Transfer of Securitized Servicing Agreement – Form 983M](#) as applicable)
- 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 (06/13/24)

A Seller/Servicer must notify Freddie Mac after the occurrence of any of the following events.

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 (06/13/24)

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)

3.10(a) Special terms (02/07/08)	3.10(c) Commitment, delivery and purchase of Loans-in-Process (02/07/08)
3.10(b) Existing Mortgages (07/31/12)	3.10(d) Categories of Loans-in-Process (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/Service'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/Service's single-family Freddie Mac activities may differ. Multifamily Seller/Services that are approved for both single-family and multifamily purposes must comply with both sets of requirements relating to changes in the Seller/Service's organization or status.

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

Each TAH Seller/Service 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/Service 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/Services (09/01/16)

Each Seniors Housing Seller/Service 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/Service 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/Service 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 (06/2308/25/26)

3.15(a) Policies and procedures (01/01/25)	3.15(c) Additional requirements applicable to Seller/Servicers with broker or correspondent relationships (08/25/26)
3.15(b) Reserved (08/25/26)	3.15(d) Additional requirements applicable to Seller/Servicers for Forward Commitments (10/21/25)

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

Seller/Servicers must adopt, maintain and administer written minimum policies and procedures that address doing business in compliance with Freddie Mac requirements, in accordance with Section 2.19(a).

~~**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~~

b. Reserved (08/25/26)

This subsection is reserved.

b.c. Additional requirements applicable to Seller/Service with broker or correspondent relationships (06/2308/25/26)

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/Service on behalf of the Borrower or the Seller/Service, 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. **Disclosure of agreements.** When requested by Freddie Mac, each Seller/Service must provide Freddie Mac with the names of the broker/correspondents with whom it directly engages. Upon request, the Seller/Service will also provide Freddie Mac with additional information regarding such agreements. The terms of the broker and correspondent agreements are not subject to Freddie Mac approval.
3. **Mortgage loan requirements.** The following requirements regarding transactions with brokers and correspondents must be satisfied for each Mortgage:

~~A. **Non-Small Balance Loans.** For any Mortgage 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/Service 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.
- iv. Sponsor Meeting requirements in Section 11.8.

~~B. **Small Balance Loans.** For Small Balance Loans:~~



- ~~i. 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.~~
 - ~~ii. The Seller/Servicer must complete the Lender Fee Certification tab in PMT at or prior to submission of the full underwriting package.~~
 - ~~iii. Sponsor Meeting requirements in Section 11.8.~~
- A. ~~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.
- B. ~~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 indicative pricing 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, 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.
- C. ~~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.D3.C.~~ 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](#).
- 4. **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 also comply with the requirements below:
 - A. The Seller/Servicer must 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.
 - B. The Seller/Servicer must complete Web Searches on the broker/correspondent firm and the individuals employed at the broker/correspondent firm who are involved in the applicable Mortgage transaction (the "Broker Parties") in accordance with the [Public Records Search Requirements](#). The Seller/Servicer must maintain evidence that it has performed the Web Searches on the Broker Parties in compliance with the requirements of this section. Such evidence must include the date the Web Searches were conducted and screenshots or copies of the Web Searches.
 - C. The Seller/Servicer must advise the broker/correspondent in writing that: (i) the Freddie Mac logo, designs, product identifiers, slogans, trademarks, and service marks may not be used in any broker/correspondent advertising, publicity, promotion, or other commercial manner without the prior written consent of Freddie Mac, (ii) the broker/correspondent must accurately represent their role in the lending process in any broker-published and/or distributed information, and (iii) the broker/correspondent must not represent itself as an approved Freddie Mac lender or as a direct provider of Freddie Mac's offerings.

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 "4."



e.d. Additional requirements applicable to Seller/Servicers for Forward Commitments (10/21/25)

—Each Seller/Servicer entering into a Forward Commitment pursuant to Chapter 17A must have:

- One or more underwriting supervisors with approximately seven to 10 years of experience in underwriting multifamily properties with forward commitments and substantial rehabilitations.
- Designated staff with 10 or more years of experience with forward commitments, substantial rehabilitations and other construction-related loans for multifamily properties.
- 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

3.16 Seller/Servicer's fidelity and errors & omissions insurance coverage (06/23/26)

3.16(a) Acceptable insurer (09/26/19)	3.16(e) Blended fidelity and E&O insurance policies (02/16/23)
3.16(b) Seller/Servicer fidelity insurance coverage (09/26/19)	3.16(f) Reinstatement of coverage (02/16/23)
3.16(c) Seller/Servicer errors & omissions (E&O) insurance coverage (09/26/19)	3.16(g) Self-insurance and Fidelity and/or E&O insurance provided by a captive insurance company (09/26/19)
3.16(d) Documentation of fidelity and E&O insurance (02/16/23)	3.16(h) Other Seller/Servicer obligations for fidelity and E&O insurance (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 (06/23/26)

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 AM Best rating:



- Financial Strength Rating of “A-”

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/Service fidelity insurance coverage (09/26/19)

1. General fidelity insurance requirements

The Seller/Service 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/Service against loss resulting from dishonest or fraudulent acts committed by:

- Officers and/or employees of the Seller/Service
- Persons duly authorized by the Seller/Service to act on its behalf in the servicing of mortgages
- Employees of outside firms who provide legal services to the Seller/Service or who perform as data processors of checks for the Seller/Service, unless such firms have provided to the Seller/Service satisfactory evidence of fidelity insurance at least equal to that required of the Seller/Service by Freddie Mac
- Persons assigned to the Seller/Service through an intervening employer or agency to perform the usual duties of an employee of the Seller/Service 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 or \$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 or \$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/Service, 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/Service 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/Service 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/Service fidelity and/or E&O insurance limits fall below 80 percent of Freddie Mac's requirements, the Seller/Service 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/Services 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/Service obligations for fidelity and E&O insurance (02/16/23)

1. Notice of change in coverage

The Seller/Service must report to Freddie Mac the following events within 10 Business Days of their occurrence using [Form 1107M, Seller/Service 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/Service's fidelity or mortgagee's E&O insurance for any reason. The Seller/Service 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/Service 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/Service 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/Service'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/Service 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/Service 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 (12/16/25)

1. Freddie Mac requires all Seller/Service's to:

- Practice the principles of equal employment opportunity and non-discrimination in all its business activities. As such, each Seller/Service 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/Service must provide Freddie Mac with information and appropriate certifications necessary to comply with all Housing and Economic Recovery Act (HERA) obligations.

Multifamily Seller/Servicer Guide

Chapter 5

Seller/Servicer Representations and Warranties



Seller/Servicer Representations and Warranties	
5.1 Applicability (09/28/18)	5.10 Servicing facilities and duties (09/28/18)
5.2 General Seller/Servicer representations and warranties (02/22/24)	5.11 Enforcement of Loan Documents (09/28/18)
5.3 Purchase-only Seller/Servicer representations and warranties (08/25/26)	5.12 Pay-off Quotes (09/28/18)
5.4 Representations and warranties with respect to third-party documents (08/25/26)	5.13 Additional Product Warranties (09/28/18)
5.5 Fraud or material misrepresentation; material issues (09/28/18)	5.14 Survival of representations and warranties; remedies (09/28/18)
5.6 Data submission; Electronic Signatures (09/28/18)	5.15 Reliance on the Seller/Servicer (09/28/18)
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5.1 Applicability (09/28/18)

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

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

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

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

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

5.2 General Seller/Service representations and warranties (02/22/24)

5.2(a) Rent schedule or rent roll (02/22/24)	5.2(f) Freddie Mac Loan Documents (04/15/21)
5.2(b) Property (09/28/18)	5.2(g) Persons prohibited from doing business with Freddie Mac (09/28/18)
5.2(c) Loan Documents (09/28/18)	5.2(h) No waiver (09/28/18)
5.2(d) Insurance (09/28/18)	5.2(i) Summaries of documents (09/28/18)
5.2(e) No Payment Delinquency (09/28/18)	

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

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

**b. Property (09/28/18)**

- The improvements lie within the boundaries of the Property
- The improvements are not damaged by fire, wind, water or other casualty (except as the Seller/Service has disclosed in writing to Freddie Mac)
- Except as the Seller/Service has disclosed in writing to Freddie Mac, no part of the Property has been taken as part of a condemnation or other similar proceeding, and to Seller/Service's knowledge there is not any proceeding pending for the partial or total condemnation of the Property
- The Property is not encumbered by a Private Transfer Fee Covenant that was created on or after February 8, 2011

c. Loan Documents (09/28/18)

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

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

d. Insurance (09/28/18)

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



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

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

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

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



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

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

- Office of Foreign Assets Control Specially Designated Nationals

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

- Exclusionary List

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

- FHFA SCP List

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

h. No waiver (09/28/18)

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

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

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

5.3 Purchase-only Seller/Servicer representations and warranties (~~09/28/18~~08/25/26)

5.3(a) Sale documents (09/28/18)	5.3(d) Origination fees (08/25/26)
5.3(b) Disbursement of proceeds (09/28/18)	5.3(e) Participation Interest (09/28/18)
5.3(c) Warehoused Mortgages (09/28/18)	5.3(f) Compliance with program or product requirements (09/28/18)

a. Sale documents (09/28/18)

1. The Seller/Servicer is the legal and beneficial owner of the Note and assignee of all applicable Loan Documents, free and clear of any liens, defenses, security interests, rights of offset, or other charges.



2. The Seller/Service has duly executed and delivered the Letter of Commitment or early rate-lock application, the Assignment of Security Instrument, the endorsement of the Note to Freddie Mac, the assignments of the Financing Statements, the assignment of the Loan Agreement and all other Loan Documents, the assignment of any Guaranty and all other documents purporting to assign the Mortgage or related documents to Freddie Mac ("Sale Documents") and such documents are effective to transfer to Freddie Mac all of the Seller/Service's right, title and interest in the Mortgage.
3. The Assignment of the Security Instrument and the assignment(s) of the Financing Statement(s) have been properly filed or recorded in each office necessary to establish Freddie Mac as the holder of (i) the Mortgage, and (ii) a perfected security interest in the personal property and fixtures described in the Financing Statements.
4. Each individual who executed the Sale Documents on behalf of the Seller/Service has the legal power, right, and actual authority to bind the Seller/Service to the terms and conditions of the Sale Documents.
5. For each Seniors Housing Mortgage, the Seller/Service has duly executed and delivered the assignment of the Collateral Assignment of Management Agreement, the assignment of any servicing contracts and the assignment(s) of Licenses, Certificates and Permits and such documents are sufficient to transfer to Freddie Mac all the Seller/Service's right, title and interest and to vest in Freddie Mac the right to exercise all rights and remedies under each document.
6. For each Mortgage purchased by Freddie Mac, the Seller/Service warrants that Freddie Mac may, at any time and without limitation, require the Seller/Service, at the Seller/Service's expense, to make such endorsements to and assignments (including recordation) of any of the Loan Documents to perfect and evidence the interests of Freddie Mac and/or its successors and assigns.

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

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

c. Warehoused Mortgages (09/28/18)

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

d. Origination fees (09/28/18 08/25/26)

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



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

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

e. Participation Interest (09/28/18)

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

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

f. Compliance with program or product requirements (09/28/18)

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

**5.4 Representations and warranties with respect to third-party documents
(~~12/16~~08/25/26)**

5.4(a) Third-party documents (08/25/26)	5.4(b) Representations and warranties regarding third-party reports (09/28/18)

a. Third-party documents (~~12/16/25~~08/25/26)

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

1. Credit report
2. Appraisal and/or updated Appraisal
3. Property condition report (or the ~~Form 1104, SBL Physical Risk Report, Form 1104, SBL Physical Risk Report~~, or the Form 1108, Physical Risk Report, if applicable)
4. Environmental report, updated environmental report, or a neighborhood hazardous waste activity report
5. Title report, title commitment and title policy
6. Survey
7. Flood zone determination



8. Wood-damaging insect report (e.g., reports on damage by termites, powderpost beetles, carpenter ants, etc.)
9. Zoning report (or zoning certification for an SBL Mortgage)
10. Seismic Risk Assessment (SRA), if applicable
11. Green Assessment, if applicable
12. Any other third-party reports required by the Seller/Servicer or the Purchase and Servicing Documents

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

1. The Seller/Servicer has examined the third-party report.
2. The Seller/Servicer has determined that the preparer of the third-party report is appropriately qualified as required by the Guide, and has the insurance, if any, required by the Guide.
3. To Seller/Servicer's knowledge, the third-party report was prepared in the manner required by the Guide.
4. To Seller/Servicer's knowledge, the third-party report is complete and accurate.
5. Seller/Servicer has not failed to advise Freddie Mac in writing of any information, conclusion or recommendation contained in any third-party report that could have a material adverse effect on the value of the Mortgage or the Property.

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

5.5(a) Fraud or misrepresentation by Seller (09/28/18)	5.5(e) Investment quality (09/28/18)
5.5(b) Fraud or misrepresentation by Borrower or others (09/28/18)	5.5(f) Information provided by Borrower (09/28/18)
5.5(c) Material adverse effect on Mortgage or Property (09/28/18)	5.5(g) No default (09/28/18)
5.5(d) Disclosure of material issues (09/28/18)	

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

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

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

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



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

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

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

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

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

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

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

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



e. Investment quality (09/28/18)

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

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

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

g. No default (09/28/18)

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

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

5.6(a) Data submission (09/28/18)	5.6(b) Electronic Signatures (09/28/18)

a. Data submission (09/28/18)

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

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

b. Electronic Signatures (09/28/18)

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

5.7 Compliance with Laws (09/28/18)

5.7(a) Laws, regulations, codes and orders (09/28/18)	5.7(b) Compliance with licensing, business and other related laws (09/28/18)

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

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

1. Title VIII of the Civil Rights Act of 1968, as amended, 42 USC §§3601 et seq. (1996), (the "Fair Housing Act") and implementing regulations promulgated by the Department of Housing and Urban Development or any successor agency, 24 CFR Part 100 et seq. (1996).



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

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

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

5.8 Cooperatives (09/28/18)

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

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



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

5.9(a) Net worth (09/28/18)	5.9(d) Suspended Counterparty Program (09/28/18)
5.9(b) Insurance (09/28/18)	5.9(e) Private Transfer Fee Covenants (09/28/18)
5.9(c) Exclusionary List (09/28/18)	

a. Net worth (09/28/18)

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

b. Insurance (09/28/18)

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

c. Exclusionary List (09/28/18)

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

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

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

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

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

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

5.10(a) Authorization to service (09/28/18)	5.10(c) Accuracy and completeness of data submissions (09/28/18)
5.10(b) Facilities and staff (09/28/18)	

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

The Seller/Servicer has complied with and will continue to comply with all applicable laws relating to licensing, qualification to do business and approval to service Mortgages. The



Seller/Servicer further represents and warrants that compliance with the terms and conditions of the Purchase and Servicing Documents will not conflict with, result in a breach of or default under, or be adversely affected by any of the following:

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

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

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

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

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

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

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

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

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

5.13 Additional Product Warranties (09/28/18)

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



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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

5.17(a) Accuracy of information (09/28/18)	5.17(d) Accuracy of disclosure (09/28/18)
5.17(b) Environmental events or conditions (09/28/18)	5.17(e) Loan Documents (09/28/18)
5.17(c) Financial status (09/28/18)	5.17(f) Affordable housing (09/28/18)

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

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

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

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

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

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



a. Financial status (09/28/18)

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

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

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

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

c. Loan Documents (09/28/18)

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

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

d. Affordable housing (09/28/18)

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

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



5.18 Determination of Materiality (12/12/24)

To the extent that any Seller/Service representation and warranty under this Guide (including any given by the Seller/Service to Freddie Mac in any certification, form, commitment or other document or agreement) contemplates a determination of materiality, such determination will be made by Freddie Mac in good faith and its sole discretion based upon a commercially reasonable standard and such decision will be binding and conclusive absent manifest error. For the purposes of this section, such determinations of materiality will include, without limitation, determining whether: (i) certain information or facts are material, (ii) an amount is material, (iii) a material adverse change has occurred or a material adverse effect exists, (iv) all material information has been disclosed, (v) there has been a material omission or material misrepresentation, or (vi) a requirement is satisfied in all material respects.

Multifamily Seller/Service Guide

Chapter 6SBL

SBL Legal Services for Mortgage ~~Origination and~~ Servicing



SBL Legal Services for Mortgage Servicing	
6SBL.1 Freddie Mac reliance on Single Counsel (02/27/25)	6SBL.9 Freddie Mac legal questions (06/30/16)
6SBL.2 Limited joint representation for Servicing (08/25/26)	6SBL.10 Document analysis by Single Counsel (08/25/26)
6SBL.3 Single Counsel selection (08/25/26)	6SBL.11 Negotiation of legal documents (06/30/16)
6SBL.4 Reserved (08/25/26)	6SBL.12 Reserved (06/30/16)
6SBL.5 Additional counsel (06/30/16)	6SBL.13 Reserved (08/25/26)
6SBL.6 Availability of Single Counsel (10/12/17)	6SBL.14 Transfers of Ownership (08/25/26)
6SBL.7 Preliminary legal analysis and preliminary legal issues memorandum (PLIM) (08/25/26)	
6SBL.8 Identification of legal issues as they arise (08/25/26)	



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

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

6SBL.2 Limited joint representation for ~~origination, purchase, delivery and Servicing~~ (02/2708/25/26)

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

6SBL.3 Single Counsel selection and notifications (02/2708/25/26)

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

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

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

6SBL.4 ~~Single Counsel legal fees~~ (04/22/25)

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

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



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

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

6SBL.4 Reserved (08/25/26)

This section is reserved.

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

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

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

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

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

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



requirements:

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

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

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

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

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

6SBL.7 Preliminary legal analysis and preliminary legal issues memorandum (PLIM) (08/25/26/25)

6SBL.7(a) Reserved (06/30/16)	6SBL.7(g) PLIM not a legal opinion (06/30/16)
6SBL.7(b) Reserved (06/30/16)	6SBL.7(h) Title and UCC matters (06/30/16)
6SBL.7(c) Disclosure of information by Seller/Servicer (06/30/16)	
6SBL.7(d) Delivery of the PLIM to Freddie Mac (when requested) (08/25/26)	
6SBL.7(e) PLIM for Servicing requests (06/30/16)	



6SBL.7(f) [Freddie Mac request for additional analysis or information \(06/30/16\)](#)

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

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

1. Those that are not contemplated by the Guide, or, for a Transfer of Ownership or other Special Servicing Request, were not contemplated by the original SBL Loan Documents, and that, unless addressed in the transaction structure or in the legal documents could result in any of the following:
 - Materially limit document enforceability-
 - Materially impede foreclosure-
 - Following foreclosure, result in title to the Property being subject to encumbrances or interests that would materially impede the sale of the Property or would materially reduce the sale price-
 - Materially increase the risks that would result from the Borrower or a guarantor becoming the subject of a bankruptcy or insolvency proceeding-
2. Those that:
 - Do not satisfy the requirements of Freddie Mac, are not generally accepted by Ratings Agencies or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with securitization-
 - Could result in an Exception to the SBL Seller/Servicer Representations and Warranties-
3. For a Transfer of Ownership or other Special Servicing Request, any nonstandard features or provisions that materially change management or control of the Borrower.

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

To assist Single Counsel, a list of examples of transaction legal issues is available at mf.freddiemac.com/lenders/legal and as part of the Preliminary Legal Issues Memorandum Form – Servicing.



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

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

c. **Disclosure of information by Seller/Servicer (06/30/16)**

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

d. **Delivery of the PLIM to Freddie Mac (when requested) (06/30/16 ~~08/25/26~~)**

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

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

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

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

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

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

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

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

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

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



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

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

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

~~l. Notices to third parties of origination of SBL Mortgage and assignment to Freddie Mac (08/26/25)~~

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

6SBL.8 Identification of legal issues as they arise (06/30/1608/25/26)

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

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

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

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

6SBL.10 Document analysis by Single Counsel (04/2208/25/26)

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

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



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

- Whether the document contains any provisions that do not satisfy the general requirements of Freddie Mac, are not generally accepted by Rating Agencies, or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with a securitization
- ~~Any provision that would result in an Exception to the SBL Seller/Servicer Representations and Warranties and provide a proposed Exception to be set forth in the Letter of Commitment~~
- The parties to the document (and their relationship to the Borrower, where applicable)
- A summary of the document in enough detail that Freddie Mac need not read the document itself
- If the document departs from local law, generally accepted local practice or any applicable standards in the Guide
- The advantages and disadvantages of approving the document
- Options for mitigating any such disadvantages

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

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

Documents for which Freddie Mac may require written document analysis include

- Ground leases (See Chapter 30 for the required format of ground lease documentation.)



- Subordinate Financing documents
- Preferred equity structures
- Merger agreements
- Any other document for which Freddie Mac requests an analysis

No written document analysis is required for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~The Servicer must not obtain an~~ This section is reserved.

6SBL.13 Reserved (08/25/26)

This section is reserved.

~~Assignment of Management Agreement and Subordination of Management Fees for loans purchased under the Freddie Mac Small Balance Loan Program.~~

~~6SBL.13~~**6SBL.14 Transfers of Ownership (06/27/19)08/25/26)**

6SBL.14(a) Attorney review requirements (06/30/16)	6SBL.14(c) Scope of Servicer and Single Counsel review (06/30/16)



6SBL.14(b) [Documents to be reviewed
\(08/25/26\)](#)

6SBL.14(d) [Payment of Single Counsel fees
\(06/30/16\)](#)

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

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

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

b. Documents to be reviewed ~~(06/27/19)~~ (08/25/26)

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

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

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



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

The Servicer and Single Counsel must ensure that

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

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

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

~~6SBL.14 Reserved (06/30/16)~~

Multifamily Seller/Service Guide

Chapter 8

Property Fundamentals



Property Fundamentals	
8.1 Introduction (08/25/26)	8.12 Subordinate Financing (04/18/24)
8.2 Structure (12/17/19)	8.13 General property management requirements (12/16/15)
8.3 Moisture or Mold issues (08/17/23)	8.14 Mortgages ineligible for purchase (09/26/19)
8.4 Occupancy (02/07/05)	8.15 Property inspections and lease audits (08/25/26)
8.5 Zoning and building code conformity (04/15/21)	8.16 Property inspections for Forward Commitments (10/21/25)
8.6 Independent Properties (04/13/23)	8.17 Property condition report (12/12/24)
8.7 Tax parcels, taxes and utilities (03/31/11)	8.18 Condominiums (10/14/16)
8.8 Access (06/29/17)	8.19 Tax abatements (10/21/25)
8.9 Essential Facilities; Recreational Facilities; Shared Use Agreement (06/29/17)	8.20 Student Housing Properties (04/18/24)
8.10 Adverse circumstances—Property (02/07/05)	8.21 Solar Agreements (04/18/24)
8.11 Nonresidential leases (04/22/25)	8.22 Infrastructure Agreements (04/22/25)

8.1 Introduction (09/08/0425/26)

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)

8.2(a) Structure type and habitability (06/29/18)	8.2(d) Aluminum wiring (02/28/18)
8.2(b) Commercial use (04/30/13)	8.2(e) Wood-damaging insect inspection reports (12/17/19)
8.2(c) Reserved (05/01/14)	

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.~~ 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)

8.3(a) Moisture Management Plan (08/17/23)	8.3(c) Special Moisture or Mold Inspection Requirements (02/28/19)
8.3(b) When Freddie Mac requires a Special Moisture or Mold Inspection or Increased Scrutiny for Moisture and Mold (02/28/19)	

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

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

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

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

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

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



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

1. A third-party property condition consultant, meeting the requirements of Section 62.8 and with specific expertise in the identification and correction of water intrusion and mold issues, must conduct the Special Moisture or Mold Issues Inspection.
2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must
 - a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues
 - b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Section 62.5(d)
 - c. Make inquiries of the Borrower or property manager regarding past and current water intrusion or potentially damaging leaks; any known Mold problems; or any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
 - d. Examine any areas where water intrusion or leaks have been reported
 - e. Examine all building components or areas most typically associated with water intrusion or potentially damaging leaks
 - f. Identify any defective building conditions that would likely lead to future water intrusion or potentially damaging leaks
 - g. Provide Freddie Mac with a comprehensive report on the inspection which includes recommendations to correct all issues reported and observed with cost estimates for the repair work.

8.4 Occupancy (02/07/05)

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

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

- a. For a Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must conform to all applicable zoning, subdivision and use laws, ordinances or codes and local building and housing codes.
- b. The Seller must submit a zoning report as specified on the applicable underwriting checklist. The zoning report must be satisfactory to Freddie Mac, and must include clear determinations with respect to the following:



- Whether all Certificates of Occupancy required for the use, operation and occupancy of the Property for its presently-contemplated use have been issued and are in effect or, if all Certificates of Occupancy are not available, a statement in accordance with Section 8.5(e),
- Whether the applicable municipality or other jurisdiction has on record any notice of violations of applicable zoning laws and ordinances and building codes, and
- If not fully addressed in the property condition report delivered pursuant to Chapter 62, whether the applicable municipality or other jurisdiction has on record any notice of violations relating to fire and life safety or accessibility requirements applicable to the Property

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

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

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

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



- having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.
2. The Seller must submit an evaluation of the likelihood that a fire or other casualty could damage the Property beyond the damage threshold level by evaluating
 - a. The number of buildings on the Property and their proximity to one another
 - b. The type of construction materials used
 - c. The presence of smoke detectors and sprinklers
 - d. Whether any flame-retardant material has been used
 - e. The proximity of the Property to natural hazards such as flood zones, earthquake zones or tornado alleys
 - f. The proximity of the buildings to fire hydrants and fire stations
 - g. Whether the damage threshold level applies to the Property as a whole or is applied building-by-building
 3. The Seller must submit an evaluation of the availability of Ordinance and Law insurance, in accordance with the requirements of Section 31.12, to mitigate the risk of
 - a. Increased demolition cost
 - b. Increased cost to construct
 - c. Loss of value due to operation of zoning laws
 4. The Seller must submit an analysis of the impact on the Property if more than the damage threshold level of the Property was destroyed and had to be restored to current zoning requirements [*i.e.*, the number of units that could be rebuilt under current zoning requirements and the resulting Debt Coverage Ratio (DCR) and Loan-to-Value (LTV) Ratio].
 5. The Seller must submit an analysis of any other risk to Freddie Mac and how the risk could be mitigated and whether the risk has been mitigated.
 6. If requested by Freddie Mac, the Seller's counsel must submit a PLIM.
- d. If a zoning report is not available in the jurisdiction in which the Property is located, Freddie Mac may purchase the Mortgage for the Property if one of the following requirements is met:
- The Seller must submit documentation that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").



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

- If the Seller cannot provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:
 1. The Seller must submit a damage restoration statement from the zoning authority that
 - a. States the requirements of the current zoning classification (i.e., the number of units that could be rebuilt or the set back that would be required under current zoning), and
 - b. Specifies the percentage of damage to the Property's market, replacement, or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.
 2. The Seller must submit the evaluations, analysis and if applicable, the PLIM required in Section 8.5(c)(2) through 8.5(c)(6) above.
- e. If not all Certificates of Occupancy are available for the Property, the Property's zoning report must include one of the following:
 1. The following statement:

The absence of any Certificate of Occupancy within the "applicable governmental authority" Property file is not a violation nor will it give rise to any enforcement action affecting the property. A new Certificate of Occupancy will only be required for new construction and to the extent that any renovations/remodeling are made to all or a portion of the Property.
 - OR
 2. An explanation of why the statement in Section 8.5(e)(1) is not applicable, based on the particular facts and circumstances related to the Property or the requirements of the applicable jurisdiction.
- f. Notwithstanding the above, a zoning report is not required if the zoning analysis described in Section 60.12(f)(2) is provided in the Appraisal and all of the following conditions are met:
 - The Mortgage has an initial principal balance of \$20 million or less or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate



- The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage
- Copies of all available Certificates of Occupancy are provided to Freddie Mac in the final underwriting package

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

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

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

8.6 Independent Properties (04/13/23)

8.6(a) Independent Property (06/30/15)	8.6(d) Cross-collateralized, cross-defaulted and coterminous Mortgages (06/30/15)
8.6(b) Information required for purchase of a Mortgage secured by a Property that is not an Independent Property (06/30/15)	8.6(e) Additional requirements for Property and other property (04/13/23)
8.6(c) Requirements for purchase (06/30/15)	

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/Servicer’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)

8.7(a) Tax parcels (03/31/11)	8.7(b) 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)

8.8(a) Eligibility for Purchase of Property subject to a Shared Access Agreement (06/30/15)	8.8(d) Additional requirements (06/30/15)
8.8(b) Review of Shared Access Agreement (06/29/17)	8.8(e) Freddie Mac approval not a waiver (06/30/15)
8.8(c) Underwriting requirements for access via easement or private road (06/30/15)	

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)

8.9(a) Eligibility for Purchase of Property subject to a Shared Use Agreement (06/30/15)	8.9(e) Review of Shared Use Agreement (06/29/17)
8.9(b) Essential Facilities (03/31/11)	8.9(f) Additional requirements (06/30/15)
8.9(c) Recreational Facilities (03/31/11)	8.9(g) Freddie Mac's approval not a waiver (06/30/15)



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

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/Servicer'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 (04/22/25)

8.11(a) General (09/25/15)	8.11(d) Tenant estoppels (09/25/15)
8.11(b) Analysis (09/25/15)	8.11(e) Subordination, nondisturbance and attornment (SNDA) (09/25/15)
8.11(c) Tenant improvements and leasing commissions (02/29/16)	8.11(f) Subordination of a commercial lease with Affiliate (09/25/15)

a. General (09/25/15)

For the purposes of this ~~Section~~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).



8.12 Subordinate Financing (04/18/24)

8.12(a) Conditions for Freddie Mac approval (10/31/12)	8.12(c) Documents to be provided after settlement of Subordinate Financing (04/18/24)
8.12(b) Information to be provided to Freddie Mac for review (02/07/05)	

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 (04/21/26)

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 property management company is needed if all the following conditions are present:

1. UPB of \$10 million or less on a single Mortgage or in aggregate for a First Lien and Supplemental Mortgage
2. Transaction includes a First-Time Sponsor, Rapid Growth Sponsor or Limited Multifamily Experience Sponsor, as outlined in Section 9.2
3. No individual or entity in the path of Control of the Borrower lives (individual) or has a corporate location (entity) within 100 miles of the subject property; and
4. No individual or entity in the path of Control of the Borrower has owned at least five properties for five years in the same market as the subject property

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.freddiemac.com/lenders/legal/.

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

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

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

A Mortgage is ineligible for sale to Freddie Mac if:

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

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

8.15 Property inspections and lease audits (06/2308/25/26)

8.15(a) Preliminary property inspection requirements (04/18/24)	8.15(c) Timing of property inspections (06/13/24)
8.15(b) Complete property inspection and lease audit (06/24/25)	

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.~~ See 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~~ 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 (06/23/26)

At full underwriting, in addition to conducting the inspection requirements specified in Section 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:
 - a. For Properties with 30 units or less:
 - (i) 80 percent of units, with no fewer than 5 units and no more than 15 units. This excludes Down Units and commercial units and must include:
 - A representative sample of vacant units and occupied units, of which at least 50 percent must be occupied, unit types and floor levels, including top floor and bottom floor units, and any owner-operated guest suites, units subject to corporate leases, or units rented by short-term stay operators.
 - If the calculation results in a decimal, it can be truncated to the nearest whole number so long as the minimum 5-unit requirement is met (e.g., 5.9 units becomes 5 units)
 - Notwithstanding the above, if inspecting 80 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
 - (ii) All Down Units



- (iii) All commercial units
- b. For Properties with greater than 30 units:
 - (i) 10 percent of units, with no fewer than 10 units and no more than 30 units. This excludes Down Units and commercial units and must include:
 - A representative sample of vacant units and occupied units, of which at least 50 percent must be occupied, unit types and floor levels, including top floor and bottom floor units, and any owner-operated guest suites, units subject to corporate leases, or units rented by short-term stay operators.
 - If the calculation results in a decimal, it can be truncated to the nearest whole number so long as the minimum 10-unit requirement is met (e.g., 10.9 units becomes 10 units)
 - Notwithstanding the above, 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
 - (ii) All Down Units
 - (iii) All commercial units
- 2. Prior to the inspection date, the Seller must instruct the Borrower to provide appropriate notification to the tenants and select units for inspection as follows:
 - a. Properties with 30 units or less: The Borrower must provide notification to all tenants.
 - b. Properties with 31 units or more: The Seller must select twice the required number of units for inspection, and the Borrower must provide notification to the tenants of those selected units.

In all cases, a list of the units selected for inspection 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 required number of units are inspected and that the inspected units are sufficient to meet lease audit requirements, which can be confirmed by the Seller. 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:
 - For Properties with 30 units or less:
 - A lease audit of 50 percent of total units, with no fewer than 10 units and no more than 15 units except for Properties with 10 units or less, in which a lease audit of 100 percent of units is required
 - For Properties with 31 units or more:
 - A lease audit of 10 percent of total 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

If the calculation results in a decimal, it can be truncated to the nearest whole number so long as the minimum 10-unit requirement is met (e.g., 10.9 units becomes 10 units).

- 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, acknowledgment that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement.

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

- When submitted as part of the preliminary underwriting package:

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

- When submitted as part of the full underwriting package:

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

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

8.16 Property inspections for Forward Commitments (02/24/26)

8.16(a) Complete property inspection conducted by the Seller at time of Conversion (02/24/26)	8.16(b) Property inspection prior to issuance of the Unfunded Forward Commitment (02/24/26)

a. Complete property inspection conducted by the Seller at time of Conversion (02/24/26)

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. The property inspection requirements must have been completed within 90 days of Freddie Mac's receipt of the Conversion Underwriting Package. If not, a new inspection must be performed; no recertification will be allowed.

b. Property inspection prior to issuance of the Unfunded Forward Commitment (02/24/26)

A property inspection is not required prior to the issuance of the Unfunded Forward Commitment unless requested by Freddie Mac in its discretion. If Freddie Mac requests a Forward Commitment Property Inspection prior to issuance of the Unfunded Forward Commitment, the following requirements apply:

1. General requirements for the Forward Commitment Property Inspection

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.

2. Specific requirements for the Forward Commitment Property Inspection



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
- Document the findings for the above information on the [Property Inspection and Lease Audit](#) form

In addition to the above, if the Forward Commitment is for a Property with a Substantial Rehabilitation project, 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

3. Timing of the Forward Commitment Property Inspection

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



8.17 Property condition report (12/12/24)

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

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



- Seismic retrofits are excluded from the waiver calculation above. Seismic retrofits must be escrowed at 125 percent of the estimated cost in the Seismic Risk Assessment, regardless of amount, as required in Section 64.14

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

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

If the Priority Repairs exceed the greater of 100 basis points of the loan amount or \$200,000 or have a material repair more likely to impact habitability, the Seller must submit a remediation plan from the Borrower indicating the source of funds for completing the work, whether work will be performed in-house or by a third party, if permitting is required and other pertinent details for remediating all repairs within the required time frame. See Guidance – [Priority Repair Remediation Plan](#) at mf.freddiemac.com/lenders/uw.

Material repairs more likely to impact habitability are:

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

8.18 Condominiums (10/14/16)

8.18(a) Types of Condominiums (06/30/15)	8.18(d) Legal issues (06/30/15)
8.18(b) Requirements for a 100 Percent Borrower-owned Condo (06/30/15)	8.18(e) Additional legal issues with regard to a Fractured Condo (06/30/15)
8.18(c) Requirements for a Fractured Condo or Partial Condo (06/30/15)	8.18(f) Condominium/cooperative conversion restriction and/or indemnification (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/Servicer'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/Servicer'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/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 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 (10/21/25)

8.19(a) Tax abatement definition and overview (02/29/16)	8.19(e) Collateral valuation for tax abatement (09/25/15)
8.19(b) Tax abatement eligibility (04/14/22)	8.19(f) Refinance test and DCR calculation for Properties with tax abatements (10/21/25)



8.19(c) Underwriting Properties with tax abatements or potential tax abatements (06/24/25)	8.19(g) Recourse for loss of tax abatement (02/29/16)
8.19(d) Documentation required for underwriting package and tax abatement approval (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 (06/24/25)

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 Tax Abatement/Exemption/PILOT Questionnaire 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.
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 (10/21/25)

1. Refinance test for all Mortgages underwritten with a tax abatement

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 abatement expires more than 10 years after Mortgage maturity date
 - b. The abatement phases out at least 10 years after the Mortgage maturity date
 - c. The abatement expires at least 20 years after the Origination Date
 - d. The abatement is renewable annually and the applicable authority does not have discretion in determining whether the Borrower or Property qualifies for renewal
- 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. If the tax abatement expires or phases out within 10 years after the maturity date of the Mortgage, Freddie Mac performs a cash flow analysis for the 10-year period following loan maturity.

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 (06/13/24)

8.20(a) Documentation required for underwriting package (04/18/24)	8.20(c) Property inspections and lease audits (04/18/24)
8.20(b) Pre-leasing debt service Reserve (06/13/24)	

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

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

- A completed and executed [Form 1120, Student Housing Questionnaire](#)
- An Appraisal meeting the requirements of Section 60.22

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

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

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

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

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

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

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

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



8.21 Solar Agreements (04/18/24)

8.21(a) Eligibility for Purchase of Property subject to a Solar Agreement (12/14/23)	8.21(g) Subordination, Nondisturbance and Attornment (SNDA) (04/18/24)
8.21(b) Analysis (04/18/24)	8.21(h) Reserved (12/14/23)
8.21(c) Title Insurance Policy requirements (12/14/23)	8.21(i) Solar Agreement loan document requirements (04/18/24)
8.21(d) Borrower Ownership of Solar Electric Systems (12/14/23)	8.21(j) Connection to the electrical grid; public utilities (12/14/23)
8.21(e) Third-Party Ownership of Solar Electric Systems (12/14/23)	8.21(k) Incentives; net-metering service (12/14/23)
8.21(f) Insurance requirements; Property condition report (12/14/23)	

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.freddiemac.com/lenders/legal.

h. Reserved (12/14/23)

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

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

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

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

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

under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located, and (iii) has received PTO.

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

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

- Net electric metering agreements
- Specialized financing agreements used to finance the Solar Electric System (e.g., grants, tax equity financing, renewable energy credit sales, etc.)
- 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 (04/22/25)

8.22(a) General (12/14/23)	8.22(c) Infrastructure Agreements with Affiliates (04/22/25)
8.22(b) Infrastructure Agreements with non-Affiliates (04/22/25)	8.22(d) Severance of lessor's interest from the Property (04/22/25)

a. General (12/14/23)

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

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

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](#) and Section 43.32, does not have to be subordinated to the lien of the Mortgage. Freddie Mac may agree to enter into the standard Freddie SNDA with a provider to protect the provider’s interest in the Property, upon written request by the Borrower.

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

1. 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).

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

d. Severance of lessor's interest from the Property (04/22/25)

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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Chapter 9

Borrower/Borrower Principal Fundamentals



Borrower/Borrower Principal Fundamentals	
9.1 Introduction (08/25/26)	9.7 Review of Borrower, SPE Equity Owner and Guarantor organizational documents (06/30/15)
9.2 Borrower requirements (06/23/26)	9.8 Adverse circumstances—Borrower (09/08/04)
9.3 Persons or entities unacceptable as Borrowers, Borrower Principals, SPE Equity Owners, Master Tenants, Operators, Guarantors and Non-U.S. Equity Holders (04/22/25)	9.9 Preferred equity (06/24/25)
9.4 Land trusts (03/03/14)	9.10 Investment fund (12/14/17)
9.5 Cooperatives (09/28/18)	9.11 Foreign Guarantor (02/22/24)
9.6 Trusts (06/15/23)	9.12 Tenancy-in-common (TIC) (04/15/21)



9.1 Introduction (~~09/08/04~~25/26)

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 (06/23/26)

9.2(a) General Borrower requirements (06/25/26)	9.2(e) Borrower requirements specific to a Single Member Limited Liability company (06/25/20)
9.2(b) Single Purpose Entity (SPE) requirements; newly-formed vs. recycled entities (05/01/14)	9.2(f) Borrower requirements specific to non-profit Borrowers and Key Borrower Principals (04/13/23)
9.2(c) SPE Equity Owners (05/01/14)	9.2(g) Borrower requirements specific to Crowdfunding (04/13/23)
9.2(d) Key Borrower Principal due diligence (12/16/25)	9.2(h) Guarantor requirements specific to Mortgages less than \$10 million in unpaid principal balance (04/21/26)

a. General Borrower requirements (06/23/26)

- The following types of Borrower are generally acceptable:
 - Limited partnership
 - Corporation
 - Limited liability company
 - Tenancy-in-Common (TIC), provided that the TIC meets the requirements of Section 9.12
- The following types of Borrower may be acceptable in limited circumstances and may be subject to additional requirements:
 - General partnership
 - Limited liability partnership
 - Limited liability limited partnership



- Revocable or irrevocable trust, including a Delaware Statutory Trust
 - Real estate investment trust (REIT)
 - Illinois, Indiana, Florida or Virginia land trust, provided that the Borrower meets the requirements of Section 9.4
 - Unincorporated business trust such as a Massachusetts business trust, or
 - Tennessee obligated member entity
3. The Borrower must be an entity formed in the United States.
 4. The Borrower is not permitted to be a pension, retirement fund or account.
 5. For any Mortgage with a Guarantor, at least one Guarantor must have Control of the Borrower (including through an entity), unless previously disclosed to and approved by Freddie Mac.
 6. Seller must immediately notify Freddie Mac if any Key Borrower Principal, or Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.
 7. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the Equity Conflict of Interest in writing to Freddie Mac when the Seller delivers to Freddie Mac the preliminary underwriting package for a Seller utilizing the early rate lock delivery option, or the full underwriting package for a Seller utilizing the standard delivery option. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.

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

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

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

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

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



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 (12/16/25)

If a Key Borrower Principal falls under one of the categories noted below, then the Key Borrower Principal may be subject to additional due diligence requirements, as outlined in Section 11.6, 11.8, 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 a similar role in the past 10 years with Freddie Mac
- **Limited Multifamily Experience Sponsor:** -When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has had Control of at least five properties in the past five years, the majority of which are or were substantially similar to the Property in the number of units or type of property
- **Rapid Growth Sponsor:** ~~Effective for transactions taken under Seller Application on or after February 27, 2025, when~~ When the Key Borrower Principal meets the following conditions:
 - (i) Controls at least 15 multifamily properties, and
 - (ii) At least 50% of the multifamily properties Controlled by Key Borrower Principal were purchased within the past three years

Notwithstanding that a Key Borrower Principal meets the above conditions, it will not be considered a Rapid Growth Sponsor if the Key Borrower Principal's Ultimate Control, if applicable, provides appropriate supporting documentation evidencing that such Ultimate Control does not meet the above conditions.

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

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

Whenever the Guide refers to a "single member" limited liability company, the term "single member" refers to a Borrower or SPE Equity Owner's organizational structure in which the Borrower or SPE Equity Owner has a sole equity member (i.e., the "single member"). A Borrower or SPE Equity Owner that has a sole equity member but has other members or



managers that each have a zero percent interest in the Borrower or SPE Equity Owner is also a “single member” limited liability company and must be formed in Delaware.

A Borrower that is a limited liability company (LLC) with a single member will not be required to satisfy the above requirements if the Mortgage has an initial principal balance of \$20 million or less, unless the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are at least \$25 million in the aggregate.

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

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

1. General Borrower and Key Borrower Principal requirements

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

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

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

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

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

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

- The non-profit Borrower/Key Borrower Principal must have a minimum of three years' experience



- In the same capacity that it will have for the proposed transaction, and
- Acquiring, developing or owning a minimum of three properties.
- The Borrower/Key Borrower Principal must own and manage other properties in the market where the Property is located.
- The executive director and key staff of the Borrower/Key Borrower Principal must have adequate experience to successfully fulfill their respective roles and responsibilities.
- The non-profit Borrower/Key Borrower Principal must not have any unresolved internal control or compliance findings.
- The non-profit Borrower/Key Borrower Principal must have no unresolved issues of integrity or conflict of interest.

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

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

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

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



h. Guarantor requirements specific to Mortgages less than \$10 million in unpaid principal balance (04/21/26)

At least one Guarantor, if an individual, must have an average FICO® score of 680 or better with all three national credit bureaus (Equifax, TransUnion or Experian). If less than three FICO scores are available, all FICO scores must be 680 or better. Additionally:

- If the Borrower is a Tenancy-In-Common (TIC), this applies to the Guarantor(s) for each TIC Borrower
- For Supplemental Mortgages, this applies only when the combined UPB of the first Mortgage and the Supplemental Mortgage are less than \$10 million in UPB

9.3 Persons or entities unacceptable as Borrowers, Borrower Principals, SPE Equity Owners, Master Tenants, Operators, Guarantors and Non-U.S. Equity Holders (04/22/25)

9.3(a) Unacceptable persons or entities (04/22/25)	9.3(b) Potentially unacceptable persons or entities (04/13/23)

a. Unacceptable persons or entities (04/22/25)

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

1. Is a confirmed match to a name on any of the following lists:
 - OFAC Specially Designated Nationals and Blocked Persons List
 - OFAC Consolidated Sanctions List
 - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
 - Freddie Mac Exclusionary List
2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering
3. Has a civil or criminal Conviction in connection with a Financial Crime 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)

9.6(a) Revocable and irrevocable trusts (06/15/23)	9.6(c) Trust legal requirements (06/30/15)
9.6(b) Trust underwriting requirements (06/15/23)	

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

- A revocable or irrevocable trust may be an eligible Guarantor.



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

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

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

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

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

1. Legal analysis

The Seller/Servicer's legal counsel must examine the trust agreement to determine that the trust meets all of the following conditions in addition to meeting the general conditions set forth in Section 9.7, where applicable. This analysis is not required for a trust that is a Borrower Principal but is not a Guarantor unless specifically requested by Freddie Mac.

- a. If the trust is the Borrower, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.
- b. If the trust is the Borrower, there is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the Mortgage).
- c. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the Mortgage.
- d. If the trust is the Guarantor, the trustee is authorized to guarantee the debts of another entity.



- e. If the trust is the Guarantor, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Guarantor's ability to guarantee the Mortgage.
- f. A lender can enforce its security interest in the trust property in the event of a default.
- g. The title insurer will provide full title protection to Freddie Mac, without exception for the trust structure.
- h. For a Massachusetts business trust, third parties may rely on a recorded certificate of the trustee certifying that he or she was authorized and directed by the beneficiary to execute and deliver deeds, mortgages, promissory notes, and all other documents required to be executed in connection with the Mortgage.
- i. If the trust is the Borrower, the form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.

2. Additional requirements

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

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

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

1. The entity is validly formed under the laws of the State in which it was organized.
2. The entity (except the Guarantor, unless required by Freddie Mac) is qualified to do business in the State in which the Property is located.
3. The entity has the required organizational power to execute, deliver and perform its obligations under the Loan Documents or the Guaranty (as applicable).
4. The individual executing the Loan Documents or the Guaranty (as applicable) on behalf of the entity has been properly authorized by the entity to take such actions on its behalf.

- 5. The entity complies with any Freddie Mac conditions set forth in the Guide, the Letter of Commitment or the early rate lock application concerning the identity of Borrower Principals.
- 6. There is no risk of impairment of Freddie Mac’s rights resulting from the structure or operation of the entity that would be unacceptable to a prudent institutional lender originating a mortgage loan secured by a comparable property in the same locale as the Property.
- 7. The entity does not expire during the term of the Mortgage.
- 8. The organizational documents of a Borrower that is required to be an SPE contain SPE covenants which require the Borrower to meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.
- 9. The organizational documents of each SPE Equity Owner that is required to be an SPE contain SPE covenants that meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.
- 10. If applicable, if the Borrower or SPE Equity Owner is a single member limited liability company, the provisions of Section 9.2(e) are met.
- 11. If required by Freddie Mac, the Borrower or SPE Equity Owner has one Independent Director/Manager as set forth in Section 9.2(d).

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

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

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

9.9 Preferred equity (06/24/25)

9.9(a) Equity contributions requiring Freddie Mac consent (04/14/22)	9.9(e) Preferred Equity guaranty (04/14/22)
9.9(b) Definitions (02/16/23)	9.9(f) Required analysis: compliance (02/16/23)
9.9(c) Characteristics constituting Preferred Equity (02/16/23)	9.9(g) Underwriting Preferred Equity (06/24/25)
9.9(d) Unacceptable attributes of Preferred Equity (04/14/22)	

**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 (06/24/25)

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 sum of the gross spread and the Amortizing Strike Rate set forth in the Loan Documents, 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)

9.10(a) Investment fund requirements (12/14/17)	9.10(b) Investment fund legal requirements (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)

9.12(a) Conditions applicable to TIC owners (06/30/15)	9.12(c) Additional requirements pertaining to TIC Agreements (04/15/21)
9.12(b) Tenant in common agreement (09/25/15)	

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

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

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

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

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

1. General



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

2. Management

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

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

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

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



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

3. Limitations on TIC owners

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

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

4. Requirements related to the Mortgage

The TIC Agreement must include all of the following;

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



transfer of ownership interests are subject to, and may be limited by, the provisions of the Loan Documents

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

If the TIC Agreement fails to fully satisfy any of the requirements outlined in Sections 9.12(a) and (b) above, and the TIC Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the TIC Agreement without it being fully compliant with this Section 9.12. If the TIC Agreement fully satisfies all of the requirements above, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

Multifamily Seller/Service Guide

Chapter 10

Fundamentals of Mortgages, Mortgage Origination and Credit Underwriting



Fundamentals of Mortgages, Mortgage Origination and Credit Underwriting	
10.1 Freddie Mac's core credit principles (11/30/12)	10.10 Originator and origination fees (09/28/18)
10.2 Seller/Service evaluation of Property and Borrower (04/13/23)	10.11 Mortgage not modified (11/30/12)
10.3 Creditworthiness of a previous Borrower (04/13/23)	10.12 Principal amount advanced; no mandatory future advances; outstanding balance (04/30/13)
10.4 Underwriting analysis (11/30/12)	10.13 Compliance with laws (02/24/26)
10.5 SPE Equity Owner (11/30/12)	10.14 Mortgage not in default (09/08/04)
10.6 Amortization/term (09/08/04)	10.15 Seller authorized to sell Mortgage; Purchase and Servicing Documents authorized (04/30/13)
10.7 Investment quality (04/13/23)	10.16 Reserved (08/25/26)
10.8 Mortgage lien priority (11/30/12)	10.17 Purchase amount (09/08/04)
10.9 Adverse circumstances – Mortgage (09/08/04)	10.18 Permitted Mortgage amount – Acquisition financing and certain refinances (08/25/26)

10.1 Freddie Mac’s core credit principles (11/30/12)

Freddie Mac bases its credit decisions on the following core credit principles:

- **Cash Flow:** Freddie Mac invests in Mortgages secured by residential rental properties that produce sustainable cash flow sufficient to provide net operating income that will cover the debt service for the entire term of the Mortgages.
- **Market Knowledge:** Freddie Mac considers a current and comprehensive knowledge of the economic strength and resiliency of the applicable market to be key to any prudent credit decision.
- **Equity:** Borrower Principals (sponsors) who have verifiable cash investment in a Property will receive the best credit terms since they have a strong incentive to actively manage the operation of the Property, which contributes to the growth of equity.
- **Viable Exit:** Each Mortgage must show a clear, definable exit at loan maturity through refinance, sale or amortization. The projection of exit at maturity must take into consideration future interest rate and value estimates as well as other possible market constraints.
- **Sponsorship:** Borrower Principals (sponsors) who have the most operational experience, the greatest financial strength and the most extensive property ownership will be eligible for the best credit terms since these are key factors to the long-term success of multifamily properties.
- **Quality Real Estate Collateral:** Properties securing Freddie Mac-owned Mortgages must be of good quality, representing high standards for the applicable property class and market.

The individual program and product chapters detail specific program or product requirements. If there is 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.

10.2 Seller/Servicer evaluation of Property and Borrower (04/13/23)

10.2(a) Seller/Servicer evaluation factors (04/13/23)	10.2(b) Key Borrower Principal guaranty and spousal information (04/13/23)

a. Seller/Servicer evaluation factors (04/13/23)

The underwriting of a multifamily Mortgage involves consideration of the economics of the Property as well as of the financial capability, credit standing and managerial ability of the Borrower.

The Seller/Servicer must determine that each multifamily Mortgage offered for sale to Freddie Mac meets the purchase standards and other requirements commonly acceptable to private institutional mortgage investors in the area in which the Property is located. The Seller/Servicer must base this determination on its thorough evaluation of all available pertinent information. The Seller/Servicer’s evaluation must include an analysis of the Borrower’s investment policy and long-range plans for the Property.

The Seller/Servicer must memorialize the gathered information and its evaluation in writing.
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The Seller/Servicer must include the following in its evaluation:

1. Management

The quality of the management of the Property is significant to maintaining or increasing net income and, therefore, to the success of the Property. Good management will keep the Property competitive and rented to the extent necessary to operate the Property at a profit when possible. Good management also enacts good maintenance and replacement policies that maintain the Property at adequate standards to maximize rents. Maintenance must be consistent with the Property's quality and financial ability to pay while maintaining maximum occupancy. The Borrower must recognize the difference between minimal maintenance and maintenance that may improve the net income of the Property on a continuing basis.

2. Borrower's creditworthiness

The Seller/Servicer must analyze each Borrower's and Key Borrower Principal's creditworthiness. The evaluation of the Borrower's and Key Borrower Principal's financial responsibility and credit history is a major consideration in the underwriting. Not only must there be strong evidence of ability to repay and/or guaranty the Mortgage, but also a history of making payments according to the terms of other financing.

3. Borrower's equity

The Seller/Servicer must carefully analyze the Borrower's and Key Borrower Principal's financial statements to determine the Borrower's and Key Borrower Principal's equity as it relates to real estate investments, mortgage debt and attendant mortgage demands on equity. If the Borrower's or Key Borrower Principal's holdings are encumbered so that the debt service on those holdings requires a high percentage of the rental income from those properties or if the holdings consist substantially of unimproved or underimproved properties having little or no gross income, the Seller/Servicer must exercise care to determine whether the Borrower and Key Borrower Principals can and will be able to meet all of the loan obligations of the Property.

b. Key Borrower Principal guaranty and spousal information (04/13/23)

The evaluation of the Property and Borrower may result in Freddie Mac requiring one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due and the performance of certain obligations of the Borrower under the Mortgage. If more than one Key Borrower Principal provides such a guaranty, the Guarantors' liability may be joint and several.

If Freddie Mac requires one or more of the Key Borrower Principals to guaranty the payment of all or a portion of the amounts due under the Mortgage, such Key Borrower Principal must satisfy Freddie Mac's standards for creditworthiness. If it is determined that a Key Borrower Principal's financial strength does not meet Freddie Mac's standards for creditworthiness for the Mortgage, then Freddie Mac may require additional credit enhancement or an additional Guarantor.



In determining the financial strength of the Key Borrower Principal, the Seller/Servicer must not request information about the Key Borrower Principal's spouse or former spouse and must not require the Key Borrower Principal's spouse or former spouse to guaranty the Mortgage except for the following reasons:

- The Key Borrower Principal is relying on the spouse's income or assets as a basis for guarantying the Mortgage, or
- The spouse has a substantial interest in the Borrower and/or the Property.

10.3 Creditworthiness of a previous Borrower (04/13/23)

Freddie Mac does not consider the creditworthiness of a previous Borrower in its underwriting process. If the Borrower purchased the Property subject to the Mortgage or assumed the Mortgage, Freddie Mac will consider only the current Borrower's and Key Borrower Principal's creditworthiness.

10.4 Underwriting analysis (11/30/12)

High-quality underwriting is essential to protect Freddie Mac's interests in its purchase of Mortgages. This includes consideration of objective and subjective criteria in the review of the Borrower's qualifications and of the proposed Property. The information required in Sections 10.2 and 10.3 and under each program or product is essential for a meaningful underwriting.

Some of the foremost factors the Seller/Servicer must consider include the following:

1. Borrower's qualifications (see Section 10.2)
2. Property vacancy, market vacancy and/or collection loss
3. Rental concessions and rent levels
4. Tenant demand and housing supply
5. Property operating and maintenance expenses
6. Property physical condition
7. Debt Coverage Ratio
8. Loan-to-Value Ratio
9. The return on the Borrower's equity
10. Estimated long-term marketability of the Property

Freddie Mac will not purchase a Mortgage unless there is a positive return on the Borrower's equity before income tax considerations.

10.5 SPE Equity Owner (11/30/12)

An SPE Equity Owner may not be the Guarantor.

10.6 Amortization/term (09/08/04)

All monthly payments on a Mortgage must be due on the first day of the month.

For an amortizing mortgage, the monthly payments on the Mortgage, including principal and interest, must be sufficient to fully amortize the Mortgage within a period of not more than 30 years. The term of the Mortgage may be the same as or shorter than the amortization period.

For purposes of calculating the original maturity of a fixed-rate or interest-only Mortgage, the commencement date of the Mortgage term is

- For newly originated fixed-rate or interest-only Mortgages, the date one month prior to the Due Date of the first amortization payment or full interest-only payment
- For fixed-rate or interest-only Mortgages that have been modified prior to delivery to Freddie Mac, the date one month prior to the Due Date of the first amortization payment or full interest-only payment on the modified Mortgage

For example, in both of the above cases, if the Due Date of the first amortization payment is April 1, 1986, the commencement of the Mortgage term is March 1, 1986.

10.7 Investment quality (04/13/23)

The Mortgage must have the characteristics of an “investment quality mortgage,” which is defined as a loan to a Borrower from whom timely repayment of the debt can be expected and that is secured by real property providing sufficient value to recover the lender’s investment if a default occurs. The characteristics of an “investment quality mortgage,” may include:

1. Strong market (which is demonstrated by low vacancy, minimal rental concessions, stable or increasing tenant demand, good balance of housing supply and demand, stable economic base, and employment diversification)
2. Strong property operations (which is shown by low vacancy, minimal rental concessions, stable or increasing rents, and stable or decreasing operating and maintenance expenses)
3. Excellent property condition
4. Strong Borrower and Key Borrower Principals (which is evidenced by a strong net worth, liquidity, credit history and experience)
5. Proven management ability of the Borrower, Key Borrower Principals or third-party property manager

10.8 Mortgage lien priority (11/30/12)

10.8(a) Mortgages which are not supplemental Mortgages (11/30/12)	10.8(b) Supplemental Mortgages (11/30/12)



a. Mortgages which are not supplemental Mortgages (11/30/12)

Each Mortgage must be a valid First Lien on the Property. The Property must be free and clear of all prior liens and encumbrances. No rights may be outstanding that could give rise to such liens, except for liens for real estate taxes and special assessments not yet due and payable and those that Freddie Mac has waived in writing.

Each Mortgage must also be a valid First Lien security interest in all fixtures, all of the Borrower's personal property that is located in or on the Property or is used or is intended to be used in connection with the Property and any other UCC collateral defined in the Security Instrument, whether owned at the time the Mortgage is made or acquired after that date. (See Section 29.4 for requirements related to Uniform Commercial Code searches.)

A security interest must be perfected on all personal property of the Borrower which is located in or on the Property or is used or intended to be used in connection with the Property, whether owned at the time the Mortgage is made or acquired after that date.

b. Supplemental Mortgages (11/30/12)

Each supplemental Mortgage originated pursuant to Chapter 20 must be a valid lien on the Property, with the applicable priority approved by Freddie Mac. Except as approved in writing by Freddie Mac

- The Property must be free and clear of all prior liens and encumbrances.
- No rights may be outstanding that could give rise to any prior liens, except for liens for real estate taxes and special assessments not yet due and payable.

Each supplemental Mortgage must also be a valid security interest in all fixtures, all of the Borrower's personal property that is located in or on the Property or is used or is intended to be used in connection with the Property and any other UCC collateral defined in the Security Instrument, whether owned at the time the Mortgage is made or acquired after that date. (See Section 29.4 for requirements related to Uniform Commercial Code searches.)

A security interest must be perfected on all personal property of the Borrower which is located in or on the Property or is used or intended to be used in connection with the Property, whether owned at the time the Mortgage is made or acquired after that date.

10.9 Adverse circumstances – Mortgage (09/08/04)

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

10.10 Originator and origination fees (09/28/18)

The Seller is fully liable for all warranties and representations made to Freddie Mac regardless of who originated the Mortgage, including the warranties and representations regarding origination fees in Section 5.3(d).

10.11 Mortgage not modified (11/30/12)

The Mortgage must be a legal, valid and binding obligation of the Borrower, enforceable according to its terms and conditions, and free from any right of setoff, counterclaim or other claim or defense. No part of the Property may have been released from the Mortgage.

The terms of the Mortgage may not be modified, amended or in any way waived or changed, except as approved by Freddie Mac prior to the delivery of the Mortgage and as evidenced in a written modification agreement or other document that the Seller delivers to Freddie Mac with the Mortgage.

10.12 Principal amount advanced; no mandatory future advances; outstanding balance (04/30/13)

The Mortgage originator must have advanced the full principal amount of each Mortgage to the Borrower or according to the direction of the Borrower. The Borrower must not have an option under the Loan Documents to borrow additional funds secured by the Security Instrument from the Seller or the Servicer or any other person.

The outstanding principal balance of the Mortgage must be as represented by the Seller to Freddie Mac and must be fully secured by the Security Instrument.

10.13 Compliance with laws (02/24/26)

10.13(a) General requirements (04/30/13)	10.13(b) Equal Credit Opportunity Act and Fair Credit Reporting Act compliance (02/24/26)

a. General requirements (04/30/13)

The Seller, as Mortgage originator, and the Mortgage must meet all requirements of all federal, State, and local laws, rules and regulations applicable to Mortgages and mortgage transactions, including truth in lending laws, licensing laws, doing-business laws and usury laws.

b. Equal Credit Opportunity Act and Fair Credit Reporting Act compliance (02/24/26)

If the Seller declines a Mortgage application, if the Mortgage application is incomplete, or if the Servicer declines a post-closing extension of credit (e.g., a Transfer of Ownership/Assumption; refer to the FAQs on Adverse Action Notices for the entire list), the Seller/Servicer, as Mortgage originator and/or Servicer, must comply with all applicable laws, rules and regulations, including the Equal Credit Opportunity Act and Fair Credit Reporting Act, as amended from time to time.

1. Equal Credit Opportunity Act (ECOA)

If an application is incomplete or declined, the Seller/Servicer must deliver written or oral notice to the Borrower on behalf of Freddie Mac within the applicable time frame stated in ECOA and in substantial conformity of the applicable model notices included in Appendix C of ECOA.

2. Fair Credit Reporting Act (FCRA)



In addition to the requirements above, if a Mortgage application is declined due to an adverse consumer report of an individual Borrower Principal (i.e., the general partner in a partnership), the Seller/Servicer must comply with the FCRA, including the delivery of written or oral notice solely to the individual Borrower Principal on behalf of Freddie Mac (which includes the contact information for the applicable consumer reporting agency) with the adverse consumer report in accordance with Section 615 of FCRA, as amended from time to time.

The Seller/Servicer must maintain a record of all written notices that it sends out on behalf of Freddie Mac and must maintain copies in accordance with ECOA and FCRA, as applicable.

The Seller/Servicer must issue the Borrower an Adverse Action Notice within 30 calendar days if:

- Freddie Mac declines to purchase a new Mortgage loan or a post-closing extension of credit (e.g., a Transfer of Ownership/Assumption; refer to the [FAQs on Adverse Action Notices](#) for the entire list), and
- For loan originations, the Borrower does not accept the Seller's quote from another institution offering similar credit terms

Additionally, effective April 1, 2025, the Seller/Servicer must upload into DMS in the Adverse Action Notices folder (in accordance with the [DMS Job Aid for Uploading Adverse Action Notices](#)) within five Business Days following issuance of the Adverse Action Notice to the Borrower:

- A copy of a written Adverse Action Notice and evidence that the Seller/Servicer issued it to the Borrower (e.g., email, certified mail receipt, courier receipt, etc.); or
- A written statement detailing the date that the Seller/Servicer issued an oral Adverse Action Notice to the Borrower to inform them of the application denial, including a statement that all ECOA required information was conveyed to the Borrower
- For Mortgage loan originations, a written statement that details that the Seller did not issue an Adverse Action Notice and explains why non-issuance complies with ECOA (see [FAQs on Adverse Action Notices](#) for additional details).

10.14 Mortgage not in default (09/08/04)

All costs, fees and expenses incurred in making, closing and recording the Mortgage must have been paid. Within the three-month period before the Delivery Date, there must not have been outstanding any advance of funds by the Seller or any prior holder of the Mortgage, or by another at the request of the Seller or any prior holder of the Mortgage, to or on behalf of the Borrower to be used by the Borrower for the payment of any monthly installment, principal, interest or other charges payable under the terms of the Mortgage.



10.15 Seller authorized to sell Mortgage; Purchase and Servicing Documents authorized (04/30/13)

As of the Freddie Mac Funding Date, the Seller must

- Be the sole owner of the Mortgage
- Have full legal authority to sell, transfer and assign the Mortgage to Freddie Mac, and
- Have duly taken all required corporate action and obtained any consents required to sell, transfer and assign the Mortgage to Freddie Mac free and clear of all claims, security interests, participations or other encumbrances

The Seller must have duly authorized, executed and delivered the Purchase Contract, which must be valid, binding and enforceable according to its terms and conditions.

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

- Any terms and conditions of the charter or bylaws of the Seller
- Any agreement or instrument to which the Seller is a party
- Any judgment, order or regulation to which the Seller is subject

The Seller must be a Seller/Servicer in good standing on the date of the Seller's offer, on the Delivery Date and on the Freddie Mac Funding Date.

10.16 ~~Characterization and nature of SBL Mortgages (06/30/16)~~Reserved (08/25/26)

This section is reserved.
SBL Mortgages:

~~1. The Seller and Freddie Mac agree that with respect to every SBL Mortgage purchase and sale transaction entered into under the Purchase and Servicing Documents, the Seller and Freddie Mac intend the transaction~~

- ~~• To be construed as the Seller's sale, transfer, conveyance and delivery of each SBL Mortgage to Freddie Mac~~
- ~~• To be construed as Freddie Mac's purchase and receipt of such SBL Mortgage~~
- ~~• Not to be construed as the Seller's pledge to secure a debt or any other obligation~~

~~2. The Seller and Freddie Mac intend for the sale, transfer, conveyance and delivery of all SBL Mortgages to Freddie Mac by the Seller to be true, absolute and unconditional sales.~~

~~If despite the intent of the Seller and Freddie Mac, the SBL Mortgages (or any of them) are determined to be the property of the Seller (i.e., the sale was not a true sale), Freddie Mac and~~

the Seller agree that

- ~~• The Purchase and Servicing Documents create a security agreement within the meaning of the Uniform Commercial Code (UCC) in effect in the applicable State, conveying to Freddie Mac a security interest in all of the Seller's right, title, and interest in and to the Mortgage and all proceeds from the Mortgage~~
- ~~• Freddie Mac is the secured party under such security agreement~~
- ~~• The possession by Freddie Mac of the Notes (and any related documents) will be deemed to be possession by Freddie Mac for purposes of perfecting the security interest pursuant to the UCC~~
- ~~• The Seller will assist Freddie Mac with any reasonable actions necessary to ensure that Freddie Mac receives a perfected security interest of first priority under applicable law~~
- ~~• Freddie Mac will have all of the rights and remedies of a secured party and creditor under the UCC and may execute and file UCC financing statements as reasonably necessary~~

10.1610.17 Purchase amount (09/08/04)

Generally, the amount paid by Freddie Mac to purchase a multifamily Mortgage will not exceed 100 percent of the outstanding principal balance of the Mortgage, adjusted for prepaid or accrued interest as of the day before the Freddie Mac Funding Date.

10.1710.18 Permitted Mortgage amount – Acquisition financing and certain refinances (12/1608/25/26)

10.18(a) Total acquisition costs (08/25/26)	10.18(c) Allocation to intangible assets (08/25/26)
10.18(b) Permitted closing costs (08/25/26)	

The Mortgage amount must be based on the lesser of the appraised value or the total acquisition cost. This section applies not only to acquisition transactions, but also to refinance loans in which the Property was acquired within 12 months of the date of the full underwriting package submission to Freddie Mac. A description of the appraised value is found in Chapter 60. (See also Section 32.3 for settlement statement content regarding closing costs.)

a. Total acquisition costs (06/2408/25/26)

The total acquisition cost is defined as the sum of: (1) the purchase price and (2) permitted closing costs paid to third parties in connection with the acquisition in an amount no more than three percent of the purchase price and acceptable to Freddie Mac in its sole and absolute discretion. ~~For SBL loans, capital improvements performed on refinance loans acquired within the past 12 months may also be permissible (see Section 10.18(b)(ii) below) (Note: See also Section 10.18(c) for additional adjustments if an allocation to intangible assets is contemplated.)~~



b. Permitted closing costs (~~12/16~~08/25/26)

Permitted closing costs must be documented and may include:

- Mortgage origination fees payable in connection with the new Mortgage (including Seller/Servicer fees incurred by the Borrower in connection with the origination of the loan and Freddie Mac's application fee) if not included in the interest rate (Note: See also Sections 5.3(d) and 17.1(f) origination fee requirements)
- Broker fees or acquisition fees for the new Mortgage paid by the Borrower, subject to a sublimit of one percent
- Prepayment fees on the existing indebtedness if paid by the Borrower
- For adjustable rate mortgages, the actual cost of the initial interest rate cap
- Other reasonable closing or settlement costs paid by the Borrower, such as mortgage registration taxes, recordation fees, survey, title searches and title insurance premiums, attorney's fees, and credit report charges
- Fees to consultants for the preparation of third-party reports including Appraisals, environmental reports, and property condition reports
- ~~Costs associated with the Borrower's voluntary capital improvements for the Property and/or Priority Repairs identified in the Property Condition Report or SBL Physical Risk Report, so long as the following three requirements are met:~~
 - ~~○ The total cost of the voluntary capital improvements and/or Priority Repairs is escrowed at Mortgage origination~~
 - ~~○ The voluntary capital improvements and Priority Repairs will be completed within 12 months of Mortgage origination~~
 - ~~○ The Loan Agreement must require that if there are remaining funds after satisfactory completion of the voluntary capital improvements and Priority Repairs, such funds must be deposited into the Replacement Reserve Fund~~
- In a Utility Efficiency Loan, costs associated with Utility Efficiency Improvements, so long as the following three requirements are met:
 - The total cost of the Utility Efficiency Improvements is escrowed at Mortgage origination
 - The Utility Efficiency Improvements will be completed within 24 months of Mortgage origination
 - The Loan Agreement must require that if there are remaining funds after satisfactory completion of the Utility Efficiency Improvements, such funds must be deposited into the Replacement Reserve Fund



~~(i) For SBL loans, permitted closing costs for refinance loans acquired within 12 months of the date of the full underwriting package submission to Freddie Mac may include costs associated with the Borrower's Capital improvements that are verified at the time of the property inspection by the Seller/Servicer and Freddie Mac, as well as by the third party consultant as documented within the SBL Physical Risk Report. These capital improvements costs are not subject to the three percent cap noted in Section 10.18(a) and must be acceptable to Freddie Mac.~~

c. Allocation to intangible assets (10/17/2408/25/26)

~~With the exception of Seniors Housing Mortgages, if~~ there is any allocation to intangible assets (including goodwill) in connection with the acquisition of the Property, such allocation may be permitted subject to the following:

- The final Mortgage amount, as reflected on the final settlement statement, cannot exceed the following:
 - For non-Seniors Housing Mortgages, 90% of the real property allocation ~~(i.e.,~~
 - For Seniors Housing Mortgages, 125% of the real property allocation
- Real property allocation is the total purchase price less any intangible asset allocation ~~(including goodwill)).~~ For purposes of this calculation, if any amount of the purchase price is allocated to personal property, such amount will be considered part of the real property allocation.
- If the transaction includes an allocation to goodwill, the total acquisition cost is defined as the sum of: (1) the purchase price excluding goodwill and (2) permitted closing costs paid to third parties in an amount no more than three percent of the purchase price excluding goodwill.

Multifamily Seller/Servicer Guide

Chapter 11

Miscellaneous Fundamentals



Miscellaneous Fundamentals	
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11.1 Introduction (09/08/05)

This chapter details Freddie Mac's miscellaneous requirements. These requirements may also apply to Special Servicing Requests.

11.2 Letters of credit (~~06/23~~08/25/26)

11.2(a) General requirements for a letter of credit (04/15/21)	11.2(g) Change in issuer's Freddie Mac approval status (08/25/26)
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a. General requirements for a letter of credit (04/15/21)

Freddie Mac will accept a letter of credit in the following circumstances:

- As part of the Seller/Servicer's good faith deposit delivered as security for part of the Seller's obligations under an early rate-lock application under Chapter 27 (see Section 27.10), so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As security for the Borrower's obligations (for example, under a Rental Achievement Agreement or any other agreement for Reserves), subject to Freddie Mac's approval, so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As collateral held until stabilization in connection with a transaction under the Moderate Rehabilitation (Mod Rehab) with LIHTC product; or
- As security for the Borrower's obligations under a Forward Commitment issued by Freddie Mac; or
- As security for the Seller/Servicer's Reimbursement Obligations under its Master Agreement; or
- As security for the SBL Seller/Servicer's SBL Obligations under Chapter 46SBL

Additional requirements:

- Any letter of credit must be obtained from a person or entity other than the Borrower or any SPE Equity owner, and



- No Borrower or SPE Equity Owner may have any liability or other obligations under any reimbursement agreement with respect to any letter of credit or otherwise in connection with reimbursement to the issuer for draws on such letter of credit

Freddie Mac, in its discretion, may accept a letter of credit in other circumstances if the letter of credit meets all of the requirements set forth in this section.

b. Issuer and issuer's rating (12/12/14)

At the time of issuance of the letter of credit (including any renewal, replacement or amendment of an existing letter of credit), the issuer of the letter of credit must be listed on the [Approved Counterparties List](#). If the issuer of the letter of credit is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed [Counterparty Approval Request](#).

Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following issuers of letters of credit are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower

At the time of issuance of the letter of credit to the Seller/Servicer, the issuer of a letter of credit must be a domestic Eligible Institution or an agency or branch of a foreign Eligible Institution located in the United States. If at any time the issuer of the letter of credit ceases to be an Eligible Institution, Freddie Mac or its successors and assigns will have the right to immediately draw down the letter of credit in full and hold the proceeds of such draw in accordance with the applicable provisions of the Loan Documents.

Any letter of credit must be freely assignable by Freddie Mac and its successors and assigns without any consent or approval of the issuer of such letter of credit and without cost to Freddie Mac or its successors and assigns. All letters of credit must have an acceptable assignment form attached to them when delivered in the Purchase Final Delivery Package.

Freddie Mac may withdraw approval of a letter of credit issuer at any time for any reason. See Section 11.2(g) for additional information.

c. Issuer's security (02/28/11)

For all Mortgages, the issuer may not have a lien on all or part of the Property or related personal property as collateral for the Borrower's obligations to the issuer without Freddie Mac's prior written consent.

d. Form of letter of credit (06/29/17)

The letter of credit must:

1. Be a clean, irrevocable, unconditional standby letter of credit



2. Be issued for the account of the Borrower in the case of a Borrower obligation, or for the Seller/Service's account in the case of the Seller/Service's obligation
3. Name Freddie Mac as the sole beneficiary
4. Be in the amount determined by Freddie Mac
5. Have an initial term of:
 - Not less than six months for a letter of credit issued in connection with an early rate-lock application that does not have an extended term
 - Not less than twelve months for a letter of credit issued in connection with a Rental Achievement Agreement or any other agreement for Reserves, debt service Reserve or an early rate-lock application with an extended term
 - Not less than 60 days following the maturity date of the Forward Commitment for a letter of credit issued in connection with a Forward Commitment
 - Not less than 60 days after the end of the Mod Rehab period for a letter of credit issued in connection with a transaction under the Mod Rehab with LIHTC product
 - Not less than 12 months following its delivery date to Freddie Mac for the Seller/Service's SBL Obligations under Chapter 46SBL; such letters of credit must also be renewable by amendment for a letter of credit issued as collateral
6. Provide that it may be drawn in whole or part by presentation to the issuer of a sight draft without any other requirements to the right to draw (The form of sight draft is found as Exhibit A to the form of letter of credit found at mf.freddiemac.com/lenders/legal)
7. Except for a letter of credit issued in connection with a Seller/Service's SBL Obligations under Chapter 46SBL, be in the form found at mf.freddiemac.com/lenders/legal

e. Seller/Service responsibilities regarding letters of credit (06/2308/25/26)

Within 30 days prior to the issuance of a new letter of credit, including a renewal, replacement, or amendment of an existing letter of credit, the Seller/Service must:

1. For a letter of credit that the Seller/Service is holding, verify that the issuer of the letter of credit is listed on the [Multifamily Counterparty Approved List](#).
2. For a letter of credit that Freddie Mac holds, verify that the rating of the issuer complies with Freddie Mac's requirements.
3. Bring to Freddie Mac's attention any variations from the Freddie Mac form of letter of credit and explain whether such variations are material.
4. Complete the [Letter of Credit Certification](#) form ~~or Form 921, Letter of Credit—SBL Certification, as applicable.~~



5. Obtain an opinion of the issuer's counsel with respect to the issuer of the letter of credit, which opinion must provide that:
 - The issuer has the power and authority to execute and deliver the letter of credit.
 - The letter of credit constitutes the legal, valid and binding obligation of the issuer, enforceable by the lender (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations) against the issuer in accordance with the terms of the letter of credit.
 - The opinion is intended to be relied upon by the lender and its successors as holder of the Mortgage (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations).
6. Upon issuance of a new letter of credit, including a renewal, replacement or amendment of an existing letter of credit, the Seller/Service must:
 - For a letter of credit that the Seller/Service is holding, hold the original letter of credit in a secure place in trust for Freddie Mac until instructed by Freddie Mac to deliver the letter of credit to Freddie Mac or return the letter of credit to the Borrower
 - In the case of a letter of credit provided in connection with a Mortgage, maintain a copy of the Letter of Credit Certification as part of the Mortgage File
 - In the case of a letter of credit provided as collateral for a Seller/Service's Reimbursement Obligations or a Construction Phase Letter of Credit required under Section 19A.1 or Section 28A.10, deliver such letter of credit and Letter of Credit Certification to Freddie Mac as required under the Seller/Service's Master Agreement or the Forward Commitment, as applicable
 - In the case of a Letter of Credit – SBL provided as collateral for an SBL Seller/Service's SBL Obligations, deliver such letter of credit and the Form 921, Letter of Credit – SBL Certification to Freddie Mac as required under Chapter 46SBL
7. Upon issuance of a renewal, replacement or amendment of an existing letter of credit held by the Seller/Service, the Seller/Service must provide the following information to Freddie Mac within 30 days of issuance:
 - Complete legal name of the issuer of the letter of credit
 - Letter of credit number
 - Amount
 - Expiration date
 - Issuer bank branch address and presentation site address

The information in this subsection must be delivered to *Multifamily Asset Management, Structured Transactions* for:

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- Structured Transactions
- Tax Exempt Bond Credit Enhancements
- Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products
- Targeted Affordable Housing Mortgages, or
- Credit Facilities

For all other Mortgages, the information in this subsection must be delivered to *Multifamily Asset Management, Borrower Transactions*.

f. Documents to be delivered to Freddie Mac (06/29/17)

- Any time the Seller/Servicer is holding the original letter of credit, the Seller/Servicer must deliver to Freddie Mac a copy of the letter of credit, the original Letter of Credit Certification and original opinion of issuer's counsel.
- For a letter of credit that Freddie Mac will hold, the Seller/Servicer must deliver the original letter of credit to Freddie Mac with the Final Delivery Package.

g. Change in issuer's Freddie Mac approval status (06/29/17 08/25/26)

Freddie Mac may withdraw approval of a letter of credit issuer at any time and for any reason.

- For Mortgages prior to origination:

If Freddie Mac withdraws its approval of an issuer of a letter of credit prior to origination of the Mortgage, in the case of a letter of credit held in connection with an early rate-lock application or any Forward Commitments:

- The TAH Seller/Servicer must notify *Multifamily TAH Production*

~~○ The SBL Seller/Servicer must notify the Multifamily Small Balance Loan Team~~

- All other Seller/Servicers must notify the *Applicable Freddie Mac Multifamily Regional Office*

- For Mortgages that have been purchased by Freddie Mac:

If Freddie Mac withdraws its approval of an issuer of a letter of credit, the Servicer must require the Borrower to obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

- For letters of credit securing an SBL Seller/Servicer's SBL Obligations: If Freddie Mac withdraws its approval of an issuer of a letter of credit, the SBL Seller/Servicer must

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obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

h. Delivery of letter of credit to Freddie Mac (06/29/1708/25/26)

The Seller must deliver the original letter of credit, the original opinion of issuer's counsel and the Letter of Credit Certification ~~or the Form 921, Letter of Credit – SBL Certification, as applicable~~, as specified below:

- For ~~Mortgages or SBL~~ Mortgages, with the Final Delivery Package
- For any other matter, as specified by Freddie Mac in the applicable agreement or Chapter 46SBL

i. Presentation of letter of credit (10/07/08)

Upon receipt of written instructions from Freddie Mac, the Seller/Servicer is authorized to present a sight draft to the issuer of a letter of credit and draw on the letter of credit.

The Seller/Servicer must hold the funds it obtains from a letter of credit in trust for Freddie Mac in an account in the name of the Seller/Servicer as custodian for Freddie Mac until it receives instructions from Freddie Mac as to where it should deposit the funds.

j. Notification to Freddie Mac of letter of credit expiration (02/27/15)

The Seller/Servicer must provide Freddie Mac with written notice of the expiration of any letter of credit not less than 30 days prior to the expiration of the letter of credit.

k. Indemnification (10/07/08)

The Seller must indemnify and defend Freddie Mac against any claims that may be asserted against Freddie Mac and any costs (including attorneys' fees), losses or damages that Freddie Mac may incur as a result of any failure by the Seller/Servicer to perform its obligations with regard to any letter of credit.

11.3 Third-party interest rate cap requirements for cash ARMs (02/29/16)

11.3(a) Cap provider (12/12/14)	11.3(e) Payments under the cap agreement (04/07/06)
11.3(b) Cap agreement (04/07/06)	11.3(f) Reserve for subsequent cap agreement (07/01/14)
11.3(c) Cap guaranty; opinion (04/07/06)	11.3(g) Expiration of cap agreement (04/07/06)
11.3(d) Delivery of cap agreement (02/29/16)	11.3(h) Servicing a cap agreement (02/07/08)

For any cash ARM where Freddie Mac has required an interest rate cap and the ARM does not have an internal interest rate cap, Freddie Mac requires that the Borrower obtain an interest rate



cap agreement with a third party cap provider (“cap agreement”). The Borrower must maintain a cap agreement until the entire indebtedness is paid in full.

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages.

a. Cap provider (12/12/14)

At the time of acquisition of the cap, and based on the term of the cap, the cap provider must be listed on the [Approved Counterparties List](#). If the cap provider is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed [Counterparty Approval Request](#).

Unless the Seller/Servicer has obtained Freddie Mac’s prior written approval, the following cap providers are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower

Freddie Mac may withdraw approval of the cap provider at any time for any reason.

The cap provider must maintain the rating required by Freddie Mac in the governing transaction documents (for example the cap agreement) throughout the term of the cap.

b. Cap agreement (04/07/06)

Freddie Mac will accept a cap agreement only in the form agreed upon by Freddie Mac and the approved cap provider. The Seller/Servicer must notify the *Applicable Freddie Mac Multifamily Regional Office* of the name of the cap provider and must request that Freddie Mac provide the Seller/Servicer with the agreed form of cap agreement for that cap provider.

c. Cap guaranty; opinion (04/07/06)

Freddie Mac will notify the Seller/Servicer whether a cap agreement guaranty and/or opinion of counsel are required. If a cap agreement guaranty and/or an opinion of counsel are required, Freddie Mac will provide the Seller/Servicer with the forms of such document(s).

d. Delivery of cap agreement (02/29/16)

The Borrower must deliver an electronic copy of the cap agreement to the Seller/Servicer. For a newly originated Mortgage, the Borrower must bid the cap agreement not later than the Origination Date. The Seller must deliver an electronic copy of the cap agreement in the Final Delivery Package.

e. Payments under the cap agreement (04/07/06)

- So long as there is not an event of default and the Borrower has made the full monthly payment due, the Servicer will remit any payments made by the cap provider to the Borrower.



- Following an event of default, Freddie Mac may apply any payments made under the cap agreement to the Mortgage in any order and amount that Freddie Mac determines.

f. Reserve for subsequent cap agreement (07/01/14)

If a cap agreement expires prior to the maturity date of the Mortgage, during the term of the cap agreement, the Borrower must make monthly deposits with the Servicer on the first day of each calendar month ("cap deposits"). The cap deposits must be sufficient to accumulate funds in an amount equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to the termination of the then-existing cap agreement, a subsequent third-party cap agreement (see Section 43.22).

g. Expiration of cap agreement (04/07/06)

- Any time a cap agreement expires, a new cap agreement has not been put into effect and an event of default has occurred, Freddie Mac, at its option, may apply any payment made by the Borrower under the Note to the purchase of a cap agreement.
- Any time a cap agreement expires and a new cap agreement has not been put into effect, Freddie Mac, at its option, may apply the default interest rate contained in the Note.

h. Servicing a cap agreement (02/07/08)

See Sections 43.21 and 43.22 for the Servicing requirements for a cap agreement.

11.4 Reliance on third-party reports (09/18/14)

This Guide contains specific reliance provisions for various types of third-party reports. If not otherwise specified in this Guide, each third-party report must include the following provision:

"This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:



- any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

11.5 Insurance requirements for third-party consultants (06/23/26)

Freddie Mac requires the following third party consultants to have the insurance coverage described below:

- Appraisers
- A/E Consultants performing the duties outlined in Chapter 63
- Property condition or Physical Risk consultants
- Environmental consultants
- Property inspectors conducting:
 - Forward Commitment property inspections as described in Section 8.16
 - Property inspections at time of conversion as described in Section 8.16
- Utility Efficiency Consultants

These third party consultants must have the following insurance coverage in place:

- Commercial General Liability (CGL) insurance with limits of at least \$1 million per occurrence and \$2 million aggregate with a maximum deductible amount of \$35,000
- Professional Liability insurance with limits of \$1 million per claim and \$2 million aggregate with a maximum deductible amount of \$100,000



The above policies must be issued by an insurance carrier rated either Standard & Poor's Insurer Solvency Review "BBB" or better, or AM Best Financial Strength Rating of A- or better.

The requirements above do not apply to third-party fee consultants performing annual property inspections.

Third party consultants should have appropriate insurance coverage in place while traveling to and from and conducting work at the Property. The following are recommended guidelines for the types and levels of insurance coverage to be considered:

- Worker's Compensation insurance as required by law
- Automobile liability insurance for all owned (if any), non-owned and hired vehicles of \$1 million per accident

The Seller/Serviceer should review the insurance coverage held by third-party consultants and determine and document that the consultants have adequate insurance relevant to the work to be performed.

11.6 Real Estate Schedule – Form 1116 verification (02/2408/25/26)

11.6(a) Verification applicability (08/25/26)	11.6(c) Verification requirements (08/25/26)
11.6(b) Verification sample (08/25/26)	11.6(d) Retention of Records (04/18/24)

a. [Verification applicability \(08/25/26\)](#)

The requirements in this section apply to each [Form 1116, Real Estate Schedule](#), delivered to Freddie Mac for ~~the following parties:~~

~~For all Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a First-Time Sponsor, [Rapid Growth Sponsor or Limited Multifamily Experience Sponsor](#).~~

- ~~• For all Mortgages, effective for transactions taken under Seller Application on and after February 27, 2025, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a Rapid Growth Sponsor~~
- ~~• For all Mortgages other than SBL Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a Limited Multifamily Experience Sponsor as referenced in Section 9.2(d), and~~
- ~~• For SBL Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor not meeting the requirements of Section 9SBL.2(c)(2)~~

This verification is not applicable to U.S. Public Companies or Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors.



a.b. Verification sample (02/2708/25/26)

As additional verification measures for the [Form 1116, Real Estate Schedule](#), submitted for the parties listed in Section 11.6(a), the Seller/Servicer must select a sample of assets to confirm that the schedule accurately reflects each such party's ownership role (e.g., general partner, limited partner, managing member, member, etc.) of each asset based on the following criteria:

- (i) If [Form 1116, Real Estate Schedule](#), reflects 10 assets or less ~~(5 assets or less for SBL Mortgages)~~, ownership in all properties must be verified (other than a personal residence).
- (ii) If [Form 1116, Real Estate Schedule](#), reflects more than 10 assets ~~(more than 5 assets for SBL Mortgages)~~, a sample of 10 assets ~~(5 assets for SBL Mortgages)~~ may be selected provided that the sample reflects multifamily properties in which the Key Borrower Principal has Control (e.g., general partner or managing member interest), if applicable. The sample can include multifamily properties with a non-controlling interest or other asset types once all multifamily properties in which the Key Borrower Principal has Control have been selected for inclusion. Additionally, if a majority of the Key Borrower Principal's [Form 1116, Real Estate Schedule](#) reflects non-multifamily assets, then the verification should be expanded to include a representative sample of these assets as well.

b-c. Verification requirements (02/2408/25/26)

Upon the delivery to Freddie Mac of each [Form 1116, Real Estate Schedule](#), for the parties listed in Section 11.6(a), the Seller/Servicer is certifying to Freddie Mac that each such party's ownership role of each asset listed has been verified for the sample noted in Section 11.6(b) by the Seller/Servicer's review of the documentation described in (1), (2) or (3) below:

1. Documentation either independently obtained or received from the party completing the [Form 1116, Real Estate Schedule](#), consisting of both of the following:
 - Evidence of the owner name of each asset provided by the party completing [Form 1116, Real Estate Schedule](#), (such as a tax bill, title policy, property deed or other commercially reasonable evidence)
 - Organizational documents, provided by the party completing [Form 1116, Real Estate Schedule](#), for the owner(s) of each asset evidencing the Key Borrower Principal or Guarantor ownership role (redacted copies are acceptable so long as the ownership role can be verified)
2. Federal tax return (Schedule K-1) for the parties listed in Section 11.6(a) confirming each party's ownership role in applicable assets identified on the [Form 1116, Real Estate Schedule](#) (redaction of non-relevant information permitted).
3. Other reasonable documentation approved by Freddie Mac (e.g., website listing real estate assets for an SEC-registered entity or lender certification confirming Key Borrower Principal ownership role for those assets in which the lender was involved in the prior financing).



The Seller/Servicer must contact Freddie Mac Underwriting if the Seller/Servicer is unable to verify the ownership information for the sample or if any discrepancies are found. The Seller/Servicer may not make any adjustments to the sample as a result of insufficient information or discrepancies.

The mortgage transaction narrative analysis must include confirmation that the verification of the ownership information has been successfully completed, including identification of the properties from each applicable Form 1116, Real Estate Schedule included in the sample, or, in the event the Seller/Servicer is unable to verify the ownership information for the sample or if any discrepancies were found, an explanation as to the issues identified and the efforts taken to address them. Additionally, if alternative documentation was approved by Freddie Mac per Section 11.6(c)(3) above, that should also be summarized in the mortgage transaction narrative analysis.

If Freddie Mac agrees to accept alternative documentation for Form 1116, Real Estate Schedule, which documentation must be approved in advance by Freddie Mac, the above verification requirements apply to such documentation.

e.d. Retention of Records (04/18/24)

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

11.7 Historical property financial statement reconciliation for refinances of Freddie Mac Mortgages and Supplemental Mortgages (~~02/24~~08/25/26)

11.7(a) <u>Reconciliation applicability (04/22/25)</u>	11.7(d) <u>Identification of possible misrepresentation (04/22/25)</u>
11.7(b) <u>Reconciliation requirements (08/25/26)</u>	11.7(e) <u>Retention of Records (08/15/24)</u>
11.7(c) <u>Submission of Servicing Statements (08/15/24)</u>	

a. Reconciliation applicability (04/22/25)

The requirements in this section apply to Mortgages taken under Seller Application on or after August 15, 2024, that are (i) refinances of Freddie Mac Mortgages where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage and (ii) Supplemental Mortgages where the Seller both originated the senior Mortgage and is the current Servicer of the senior Mortgage.

With respect to acquisition Mortgages, nothing herein shall restrict or limit Freddie Mac or Seller/Servicer from performing a reconciliation of property financial statements available to Freddie Mac or Seller/Servicer, similar to the reconciliation described in Section 11.7(b). In connection with any such reconciliation related to an acquisition Mortgage, Seller/Servicer must comply with all reporting requirements, including but not limited to those in Section 7.6, with respect to any Suspicious Activity and actual or possible fraud or misrepresentation in connection with such reconciliation.

**b. Reconciliation requirements (02/2408/25/26)**

Prior to the delivery to Freddie Mac of the underwriting package, Seller/Servicer must reconcile each historical property financial statement (including the most current property financial statement in a T-12 format) required by ~~Sections~~Section 55-2 and 55SBL.2 against the property financial statements received for the same periods during the Servicing of the existing or senior Mortgage, as applicable (for the purposes of this Section 11.7, “Servicing Statements”).

For historical property financial statements covering an annual period, this reconciliation must include a review against each applicable full-year Servicing Statement, when available. For historical property financial statements covering the most recent annual or twelve-month period, due to timing differences, this reconciliation only applies to those months in most recent Servicing Statement (provided in a T-12 format) that overlap the months reflected in such statements.

By delivering the underwriting package to Freddie Mac, the Seller/Servicer is certifying that the reconciliation required by this section has been performed. The mortgage transaction narrative analysis must either (i) contain a statement that there are no deviations identified or (ii) disclose any deviations. In either case, a summary of the analysis performed, including the specific statements used in the analysis must be documented in the mortgage transaction narrative analysis.

c. Submission of Servicing Statements (08/15/24)

If the Servicing Statements are not found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer must submit the Servicing Statements used to perform the reconciliation required in Section 11.7(b) as part of the underwriting package.

If the Servicing Statements used to perform the reconciliation required in Section 11.7(b) are already found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer is not required to separately submit the Servicing Statements to Freddie Mac as part of the reconciliation requirements of this Section 11.7.

d. Identification of possible misrepresentation (04/22/25)

Seller/Servicer must comply with all reporting requirements, including but not limited to those in Section 7.6, with respect to any Suspicious Activity and actual or possible fraud or misrepresentation in connection with the reconciliation required in Section 11.7(b).

e. Retention of Records (08/15/24)

The Seller/Servicer must retain records evidencing the Seller’s compliance with the reconciliation requirements in this section.

11.8 Sponsor Meetings (12/1608/25/26)

The provisions of this section apply to Mortgages that are placed under Seller Application on or after February 1, 2026, or any Borrower consent request involving a Transfer of Ownership submitted for approval on or after February 1, 2026, where the Mortgage or the Transfer of Ownership, as applicable, involves any of the following:



- One or more of the following sponsor types (as a transferee, with respect to a Transfer of Ownership):
 - First-Time Sponsor,
 - Limited Multifamily Experience Sponsor ~~(or for SBL Mortgages, Key Borrower Principals that do not individually meet the criteria noted in Section 9SBL.2(c)(2)),~~
 - Rapid Growth Sponsor
- A broker/correspondent

A Seller Representative (as defined below) must meet with a Sponsor Representative (as defined below), either in person or by video call where the Sponsor Representative can be seen (“Sponsor Meeting”). The Sponsor Meeting must take place within the 12 months preceding the submission of the full underwriting package, or full Transfer of Ownership package with respect to a Transfer of Ownership, to Freddie Mac. For the purposes hereof, (A) a “Sponsor Representative” means (i) any Key Borrower Principal that is an individual, or (ii) with respect to a Key Borrower Principal that is an entity, an individual that is an officer, equity holder, or employee of a Key Borrower Principal with significant responsibility to Control or direct matters relating to the Key Borrower Principal, the Mortgage or the Property and (B) a “Seller Representative” means an individual employed by Seller that is an underwriter or originator (or an equivalent role with respect to a Transfer of Ownership), or another Seller representative acceptable to Freddie Mac.

If a transaction involves multiple sponsors where one or more of the sponsors meets the criteria noted above, a Sponsor Meeting must be conducted with a Sponsor Representative for each such sponsor, but is not required for sponsors who do not meet the criteria noted above. If there are multiple sponsors that meet the criteria noted above, the Seller can conduct a joint meeting or separate meetings.

If a transaction involves a broker/correspondent and there are no sponsors meeting the criteria noted above, then the Sponsor Meeting may be conducted with any Sponsor Representative.

During the Sponsor Meeting, the Seller must, at a minimum:

- Confirm the identity of the Sponsor Representative using a current driver’s license or passport and the Sponsor Representative’s personal address.
- Ask the Sponsor Representative to describe the individual’s role with respect to the Key Borrower Principal (if the Key Borrower Principal is an entity)
- Ask the Sponsor Representative about their professional background and business objectives

The Seller’s mortgage transaction narrative analysis, or Transfer of Ownership/Assumption request form in the case of a Transfer of Ownership, must include a description of the Sponsor Meeting that includes the following:

- The name, company and title of each participant
- The date on which the Sponsor Meeting took place



- Whether the Sponsor Meeting took place by video call, or if in person, the location in which the Sponsor Meeting took place
- A summary of the documentation used by the Seller to confirm the identity of the Sponsor Representative
- The role of the Sponsor Representative with respect to the Key Borrower Principal
- A summary of the matters discussed
- Any other information learned during the Sponsor Meeting that is likely to be material to Freddie Mac in its underwriting or approval of the transaction

Unless requested by Freddie Mac, no documentation other than the mortgage transaction narrative analysis, or Transfer of Ownership/Assumption request form in the case of a Transfer of Ownership, is required regarding the Sponsor Meeting. The Seller should not submit to Freddie Mac copies of driver's licenses or passports.

11.9 Impact of a natural disaster or weather-related adverse condition (~~12/12/24~~08/25/26)

11.9(a) Applicability (12/12/24)	11.9(b) Types and Status of Mortgage Loans (08/25/26)

a. [Applicability \(12/12/24\)](#)

Upon Freddie Mac's notification to Seller/Serviceirs, this section is applicable to Mortgage loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property. (See also Section 5.2(b) for Seller/Serviceir representations and warranties regarding the Property and Section 27.4(a) for Nondelivery in the event of a material adverse change in Property condition).

Freddie Mac may provide notification to Seller/Serviceirs regarding the applicability of this section with respect to a particular natural disaster or weather-related adverse condition, but in the absence of a notification, Seller/Serviceirs remain obligated to comply with the provisions of this Section 11.9, to the extent applicable to their Mortgage loans.

b. [Types and Status of Mortgage Loans \(~~12/12/24~~08/25/26\)](#)

1. For Conventional, Seniors, Targeted Affordable Housing (TAH) and Structured & Facility Mortgages in the quote stage, ~~and for Small Balance Loans (SBL) under Seller Application~~ that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property:
 - If the property condition consultant's physical inspection of the Property is taking place after the occurrence of the natural disaster or weather-related adverse condition, nothing further required.



- If the property condition consultant's inspection has taken place prior to the occurrence of the natural disaster or weather-related adverse condition:
 - The Seller/Servicer must deliver the [Borrower Certification of Weather-Related Event](#) as part of the full underwriting package and must specifically address any impact to the Property sustained from the natural disaster or weather-related adverse condition.
 - Freddie Mac, in its sole discretion, may require additional information or further inspections of the Property.
- 2. For Mortgage loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property (i) for which an underwriting package has been delivered to Freddie Mac, (ii) that are awaiting Index Lock, (iii) where a Letter of Commitment (or Early Rate Lock Application) has been accepted, or (iv) are in process at any point thereafter prior to Freddie Mac's purchase of the Mortgage, the following items must be submitted to Freddie Mac either as part of the full underwriting package or via a separate email communication:
 - [Borrower Certification of Weather-Related Event](#) specifically addressing any impact to the Property sustained from the natural disaster or weather-related adverse condition.
 - Written confirmation that the Property has sufficient property damage (All-Risk) coverage, Business Income/Rental Value Insurance coverage, or any other applicable coverage (i.e., Windstorm, Named Storm, Flood, etc.).
 - If an acquisition Mortgage, in addition to the above items, written confirmation that there has been no change to the Purchase and Sale Agreement, or if there has been a change, receipt of the revised Purchase and Sale Agreement and updated Purchase and Sale Agreement Analysis including an explanation of the change.
- 3. For any loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property that Freddie Mac has committed to purchase (via a fully executed Letter of Commitment or an accepted Early Rate-Lock Application) but has not yet purchased, in addition to submission of the items set forth in subsection b.2. above, Seller/Servicers must report any impacted Properties to the [Surveillance – Compliance Team](#), including any damage updates for such Properties when available.

For any such Mortgages delivered to Freddie Mac for purchase, Seller/Servicers must also coordinate with the *Multifamily Purchase team*; Mortgage loan funding may be delayed pending a damage assessment.

Multifamily Seller/Service Guide

Chapter 17

Originating a Conventional Cash Mortgage



Originating a Conventional Cash Mortgage	
17.1 Overview (08/25/26)	17.4 Moderate Rehabilitation (Mod Rehab Mortgages) (04/15/21)
17.2 Fixed-rate Mortgage requirements (08/26/25)	17.5 Underwriting package requirements and review period (04/15/21)
17.3 Floating-Rate Mortgage requirements (04/15/21)	17.6 Workforce Housing Preservation (10/19/23)

17.1 Overview (08/25/26/25)

17.1(a) Program and related products (08/25/26)	17.1(e) Delivery Rate Lock options (04/15/21)
17.1(b) Investment quality (04/30/13)	17.1(f) Minimum Origination Fee (08/25/26)
17.1(c) Types of Mortgages (04/15/21)	17.1(g) Other requirements (04/15/21)
17.1(d) Securitization of Mortgages (03/03/14)	

a. Program and related products (08/25/26/25)

This chapter provides an in-depth discussion of the underwriting requirements for originating a Mortgage under the Multifamily Conventional Cash Mortgage Purchase Program.

Certain products may have additional or different requirements as specified in the following chapters:

- Moderate Rehabilitation (Mod Rehab) Mortgages – Section 17.4(a)
- ~~Small Balance Loan (SBL) Mortgages – Chapter 18SBL~~
- Targeted Affordable Housing (TAH) Cash Mortgages – Chapter 19
- Forward Commitment TAH Cash Mortgages – Chapter 19A
- Supplemental Mortgages – Chapter 20
- Seniors Housing Mortgages – Chapter 21
- Manufactured Housing Community (MHC) Mortgages – Chapter 22
- Green Advantage – Chapter 24
- Tax-Exempt Loans – Chapter 25
- Forward Commitment Tax-Exempt Loans – Chapter 25A
- TAH Bond Credit Enhancement Mortgages – Chapter 28
- Forward Commitment TAH Bond Credit Enhancement Mortgages – Chapter 28A

With respect to the origination of cash Mortgages with certain affordability components, Conventional Seller/Servicers may originate and sell the following, subject to certain conditions:

- Mortgages with Low Income Housing Tax Credits (LIHTC) after year 15 of the initial compliance period



- Mortgages with Rental Assistance Contracts
- Mortgages with Tenant-Based Rental Assistance Vouchers
- Mortgages with tax abatements

Conventional Seller/Servicers should contact their Freddie Mac representative for additional information. For a chart outlining Conventional Seller/Servicer and TAH Seller/Servicer eligibility for originating and selling Mortgages with certain affordability components, see [Exhibit 2, Origination Guidelines for Targeted Affordable Housing Mortgages](#).

b. Investment quality (04/30/13)

Each Mortgage to be delivered to Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program must have characteristics that demonstrate investment quality (see Section 10.7).

c. Types of Mortgages (04/15/21)

Under the Multifamily Conventional Cash Mortgage Purchase Program, Freddie Mac may purchase any or all of the following types of Mortgages:

- Fixed-rate Mortgages (see Section 17.2) in which the interest rate is unchanged for the entire Mortgage term. Fixed-rate Mortgages may be amortizing or interest-only.
- Floating-Rate Mortgages in which the interest rate is adjusted for the entire Mortgage term. A Floating-Rate Mortgage may be amortizing or interest-only.
- Fixed to floating rate Mortgages in which the interest rate is fixed for a set term and is adjustable during an extension term of one year at the end of the term of the Mortgage.
- Other types of Mortgages as announced by Freddie Mac from time to time.

d. Securitization of Mortgages (03/03/14)

Freddie Mac intends to securitize certain Mortgages by selling them in the capital markets. At the time of a Securitization of a Mortgage, Freddie Mac will cease to own the applicable Mortgage and Servicing of the applicable Mortgage will be terminated upon such Securitization and transferred to a master servicer without compensation to the Freddie Mac Servicer. The Freddie Mac Servicer must assist in the transfer of Servicing to the master servicer by timely delivering to the master servicer all materials required by Section 42.7.

The Seller/Servicer agrees that if Freddie Mac decides to securitize or sell the Mortgage, the Seller/Servicer will: (a) permit Freddie Mac or its representatives to provide related information to the Rating Agencies and/or investors, and (b) cooperate with the reasonable requests of the Rating Agencies and/or investors in connection with a Securitization of the Mortgage.

**e. Delivery Rate Lock options (04/15/21)**

Freddie Mac offers both a standard delivery option under Chapter 27 and an early rate-lock delivery option under Chapter 27.

f. Minimum Origination Fee (~~06~~08/25/2026)

A Seller must charge a Minimum Origination Fee in connection with the origination and sale of a Mortgage to Freddie Mac as follows:

Program/Product	Minimum Origination Fee
~~Non-SBL~~ Mortgages < \$7.5M	1.00% of the UPB
~~Non-SBL~~ Mortgages ≥ \$7.5M and < \$20M	Greater of 0.75% of the UPB or \$75,000
~~Non-SBL~~ Mortgages ≥ \$20M and < \$50M	Greater of 0.50% of the UPB or \$150,000
~~Non-SBL~~ Mortgages ≥ \$50M	Greater of 0.25% of the UPB or \$250,000

The Seller may satisfy the requirement for a Minimum Origination Fee with any combination of an origination fee and a premium buy-up. Buy-ups collected at no cost to the Borrower due to qualified loan characteristics cannot be included to meet the required Minimum Origination Fee. The Minimum Origination Fee must be collected by the Seller and cannot be used to reimburse closing costs.

g. Other requirements (04/15/21)

All Mortgages submitted for purchase under the Multifamily Conventional Cash Mortgage Purchase Program must comply with the requirements of Chapters 8, 9, 10, 27 and 32 as well as with the requirements of this chapter.

17.2 Fixed-rate Mortgage requirements (08/26/25)

17.2(a) Document delivery (04/15/21)	17.2(j) Sales or transfers of Property or beneficial interests in the Borrower (09/08/04)
17.2(b) Eligible Mortgages, including Value-Add Mortgages and Moderate Rehabilitation Mortgages (05/05/17)	17.2(k) Vacancy/collection loss (09/08/04)
17.2(c) Term (06/29/17)	17.2(l) Borrower recourse/third-party guaranties (04/13/23)
17.2(d) Amortization (05/11/10)	17.2(m) Servicing Spread (08/26/25)
17.2(e) Interest-only (05/11/10)	17.2(n) Reserves (10/31/12)
17.2(f) Prepayment provisions (04/15/21)	17.2(o) Co-op requirements (09/08/04)
17.2(g) Yield Maintenance Prepayment Premium (02/29/12)	17.2(p) Financing of origination fees (09/08/04)
17.2(h) Reserved	17.2(q) Late charges and default interest (04/30/13)
17.2(i) Reserved	



A fixed-rate Mortgage submitted under the Multifamily Conventional Cash Mortgage Purchase Program must meet the requirements listed in this section. A fixed-rate Mortgage may be amortizing or may have an interest-only feature. For interest-only Mortgages, all other requirements of an amortizing Mortgage will apply unless specifically noted in this section.

a. Document delivery (04/15/21)

The underwriting checklists, the Final Delivery Tables of Contents and the Final Delivery Instructions, at <https://mf.freddiemac.com/lenders/purchase/>, set forth all documents required to be delivered to Freddie Mac under this program. The Seller must make timely deliveries in accordance with the requirements of this chapter and Chapter 32.

b. Eligible Mortgages, including Value-Add Mortgages and Moderate Rehabilitation Mortgages (05/05/17)

Mortgages for the purpose of the refinancing or acquisition of the Property are eligible for purchase.

Freddie Mac will consider purchasing Value-Add Mortgages where the Borrower expects to add value through renovations shortly after loan closing. For additional information, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

Freddie Mac may also consider purchasing Moderate Rehabilitation Mortgages, where the Borrower will be making renovations to the Property beyond the Value-Add levels and needs the ability to draw funds as the renovations are completed rather than having the entire loan funded on the Origination Date, subject to additional conditions. For additional information, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

For Mortgages secured by MHC Properties, the requirements of Section 22.3(a) apply rather than the requirements of this Section 17.2(b).

c. Term (06/29/17)

The term of the Mortgage may be from five to 30 years.

d. Amortization (05/11/10)

For amortizing Mortgages, the standard amortization period is 30 years.

The minimum amortization period for amortizing Mortgages is 15 years.

Notwithstanding the above, Freddie Mac, in its discretion, will determine the amortization period of the Mortgage.

e. Interest-only (05/11/10)

Interest-only debt service payments are available for up to 10 years. Combinations of interest-only and principal and interest periods are available.

f. Prepayment provisions (04/15/21)

1. Prepayment provisions for a Mortgage with a Note that provides for defeasance that is not made a part of a Securitization prior to the Cut-Off Date (defined in the Note) are below:
 - The Borrower may prepay the Mortgage on any scheduled payment date, subject to compliance with all prepayment terms set forth in the Note, including payment of the applicable prepayment premium. The Borrower may not make any partial prepayments except as set forth in the Loan Documents.
 - The two-year lockout period and Defeasance Period will not apply and the Mortgage will be subject to the Yield Maintenance Period as set forth in the Note.
 - No prepayment premium is due during the Window Period as defined in the Note (usually the last three months of the term of the Mortgage).
2. Prepayment provisions for a Mortgage with a Note that provides for defeasance that is made part of a Securitization prior to the Cut-Off Date are below:
 - If a Mortgage has a term of five or more years and is made a part of a Securitization prior to the Cut-Off Date, there is a two-year lockout period during which prepayment will not be permitted, followed by a Defeasance Period, as defined in the Loan Documents. The Borrower may only defease the Mortgage in accordance with the requirements set forth in the Loan Documents. The Borrower may not make any partial prepayment during the Defeasance Period, except as set forth in the Loan Documents.
 - After the expiration of the Defeasance Period, no prepayment premium is due during the Window Period as defined in the Note (usually the last three months of the term of the Mortgage).
3. Prepayment provisions for a Mortgage with a Note that provides for yield maintenance only are below:
 - The Borrower may prepay the Mortgage in full on any scheduled payment date, subject to compliance with all prepayment terms set forth in the Note, including payment of the applicable prepayment premium. The Borrower may not make any partial prepayments except as set forth in the Loan Documents.
 - No prepayment premium is due during the Window Period as defined in the Note (usually the last three months of the term of the Mortgage).

g. Yield Maintenance Prepayment Premium (02/29/12)

The standard Yield Maintenance Period will be as follows:

Term of Mortgage	Yield Maintenance Period
5 years	4¾ years



7 years	6½ years
10 years	9½ years
15 years	14½ years
20 years	15 years
25 years	15 years
30 years	15 years

The minimum prepayment premium due during the Yield Maintenance Period is one percent of the amount prepaid.

After the expiration of the Yield Maintenance Period, with any prepayment, the Borrower must pay a prepayment premium of one percent of the amount prepaid, with the exception of Mortgages with a five-year term for which there is not a one percent prepayment premium period at the expiration of the Yield Maintenance Period. No prepayment premium is due during the Window Period as defined in the Note (usually the last three months of the term of the Mortgage).

h. Reserved

i. Reserved

j. Sales or transfers of Property or beneficial interests in the Borrower (09/08/04)

The Mortgage will permit Transfer of Ownership to a qualified purchaser on terms approved by Freddie Mac, in accordance with the terms of the Mortgage.

k. Vacancy/collection loss (09/08/04)

The vacancy and collection loss rate used in underwriting may not be less than 5 percent and must be adjusted upward if property and/or market conditions require.

l. Borrower recourse/third-party guaranties (04/13/23)

Freddie Mac typically will not require Borrower recourse, except upon the occurrence of certain events specified in the Note executed by the Borrower. However, Freddie Mac, in its discretion, may require additional Borrower recourse.

See Section 10.2(b) in the event Freddie Mac requires one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due under the Mortgage.

m. Servicing Spread (08/26/25)

The Servicer's servicing fee for each Mortgage will be the Servicing Spread set forth in the [Servicing Spreads Chart](#) posted on our website and will be stated in the Purchase Contract for that Mortgage. If there is a difference between the Servicing Spread set forth in the Servicing Spreads Chart and the Servicing Spread set forth in the Purchase Contract, the Purchase Contract will govern.

**n. Reserves (10/31/12)**

Pursuant to Section 39.2, the Seller must establish Reserves for taxes, water and sewer charges, ground rents and other charges and assessments, if applicable, and insurance meeting the requirements of the Purchase and Servicing Documents. If required by Freddie Mac, the Seller must establish a Replacement Reserve and/or a Repair Reserve, in accordance with Section 39.3.

o. Co-op requirements (09/08/04)

Freddie Mac may adjust the program requirements in this section on a case-by-case basis for Mortgages secured by properties owned by cooperative housing corporations.

p. Financing of origination fees (09/08/04)

It is Freddie Mac's policy not to purchase Mortgages that finance payment of loan origination fees or comparable fees to the Seller in excess of reasonable amounts. The proceeds of the Mortgage may be used to pay loan origination fees or comparable fees to the Seller only to the extent that such fees are reasonable and in accordance with general industry standards.

q. Late charges and default interest (04/30/13)

The fixed-rate Note must provide that if an installment of principal (if applicable) and interest is received more than 10 days after its Due Date, a late charge will accrue equal to 5 percent of the amount of that installment. If applicable law prohibits imposition of a late charge until an installment is more than 10 days past due or provides for a maximum late charge of less than 5 percent, the Seller must use the minimum time period and the maximum late charge permitted by applicable law. The Seller/Servicer may not change any provisions regarding late charges without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

The fixed-rate Note must also provide that if any installment due under the Note remains past due for 30 days or more, or if the Borrower is in default under any other provision of the Note or other Loan Documents, the Note will bear default interest at a rate that is not less than 4 percent per annum in excess of the Note rate. If applicable law provides for a maximum rate of default interest that is lower than 4 percent per annum in excess of the Note rate, the Seller must use the maximum rate of default interest permitted by applicable law.

17.3 Floating-Rate Mortgage requirements (04/15/21)

17.3(a) Interest rate calculation (04/15/21)	17.3(d) Prepayment premium (04/15/21)
17.3(b) Term (04/15/21)	17.3(e) Reserved (03/03/14)
17.3(c) Prohibition against prepayment (04/15/21)	17.3(f) Late charges and default interest (04/15/21)

A Floating-Rate Mortgage submitted under the Multifamily Conventional Cash Mortgage Purchase Program must meet the requirements of Section 17.2, as modified by this section.



a. Interest rate calculation (04/15/21)

Freddie Mac will calculate interest on a Floating-Rate Mortgage on the basis of a 360-day year and the actual number of days in the period for which interest is being calculated. As interest on a Floating-Rate Mortgage will accrue at a variable interest rate, there will not be a fixed annual debt service amount for the Mortgage.

b. Term (04/15/21)

The term of the Floating-Rate Mortgage may be 5, 7 or 10 years.

c. Prohibition against prepayment (04/15/21)

The Borrower will be prohibited from voluntarily prepaying the Floating-Rate Mortgage in whole or in part during the closed period, as set forth in Section 17.3(d), if the Borrower has chosen this prepayment premium option.

d. Prepayment premium (04/15/21)

Freddie Mac offers the following prepayment provisions that may be structured with the origination of a Floating-Rate Mortgage:

- One year closed period followed by 1 percent thereafter
- Declining yearly prepayment premium of 3 percent, 2 percent and 1 percent thereafter
- Declining yearly prepayment premium of 5 percent, 4 percent, 3 percent, 2 percent and 1 percent thereafter, or
- For 10-year capped Floating-Rate Mortgages only, declining yearly prepayment premium of 7 percent, 6 percent, 5 percent, 4 percent, 3 percent, 2 percent and 1 percent thereafter

Based on the prepayment provision chosen above, starting in year 2, 4, 6 or 8, Freddie Mac will waive the 1 percent prepayment premium if the Borrower voluntarily prepays the Floating-Rate Mortgage with the proceeds of a fixed-rate Mortgage that is the subject of a binding commitment for purchase between Freddie Mac and the Seller/Servicer.

No prepayment premium will be due during the Window Period as defined in the Note (usually the last three months of the term of the Floating-Rate Mortgage.)

e. Reserved (03/03/14)

f. Late charges and default interest (04/15/21)

The Floating-Rate Mortgage Note must provide that if an installment of principal (if applicable) and interest is received more than five days after its Due Date, a late charge will accrue equal to 5 percent of the amount of that installment. If applicable law prohibits imposition of a late charge until an installment is more than five days past due or provides for a maximum late charge of less than 5 percent, the Seller must use the minimum time period and the maximum late charge permitted by applicable law.



The Seller/Servicer may not change any provisions regarding late charges without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

The Floating-Rate Mortgage Note must also provide that if any installment due under the Floating-Rate Mortgage Note remains past due for 30 days or more, or if the Borrower is in default under any other provision of the Floating-Rate Mortgage Note or Loan Documents, the Note will bear default interest at a rate that is not less than 4 percent per annum in excess of the Note rate. If applicable law provides for a maximum rate of default interest that is lower than 4 percent per annum in excess of the Floating-Rate Mortgage Note rate, the Seller must use the maximum rate of default interest permitted by applicable law.

17.4 Moderate Rehabilitation (Mod Rehab Mortgages) (04/15/21)

A Mod Rehab Mortgage is collateralized by a well-constructed Property that can benefit from a capital infusion by the Borrower to upgrade the Property and increase its value.

Each Mod Rehab Mortgage is made in two phases. The first phase ("Interim Phase") is structured to accommodate the proposed renovation work, while the second phase ("Permanent Phase") is structured using the requirements of a standard cash loan. The Interim Phase consists of the initial funding issued at Mortgage origination and renovation draws issued throughout the renovation period. The renovation period cannot extend beyond the Interim Phase, and is subject to the time limits set forth in the Disbursement Agreement. At the end of the Interim Phase, the loan (with an unpaid principal balance reflecting the aggregate of the initial funding and all subsequent draws) converts to the Permanent Phase.

A Mod Rehab Mortgage must use the standard delivery option. In addition to complying with all standard requirements under the Multifamily Conventional Cash Mortgage Purchase Program noted under this Chapter 17, the following sections detail further requirements applicable to Mod Rehab Mortgages:

- [Exhibit 1, Section 1.1, Conventional Checklist](#)
- Section 60.28, Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages
- Chapter 63, Construction Reports
- Section 39.9, Servicing Moderate Rehabilitation (Mod Rehab) Mortgages
- Section 55.2, Requirements for documents contained in the underwriting package

1. Timing of renovation completion

All units must be habitable no later than six months prior to Conversion to the Permanent Phase. Minor unit renovations such as installation of light fixtures can be ongoing.

All renovation work must be completed no later than three months prior to Conversion.

2. Timing of additional proceeds request



If additional proceeds are requested, the Seller/Servicer must provide notice within six months of Conversion to the Permanent Phase and must deliver a full underwriting package four months prior to Conversion. All renovation work must be completed no later than three months prior to Conversion.

The Seller/Servicer must prepare the full underwriting package following the requirements for a standard delivery found in [Exhibit 1, Section 1.1, Conventional Checklist](#). However, the property condition report must comment on whether the renovation work is still ongoing or already completed, and incorporate the latest construction monitoring report or the post-construction analysis report, whichever is available. The construction reports are described in Chapter 63.

17.5 Underwriting package requirements and review period (04/15/21)

See Section 27.5 for information regarding the content of underwriting packages.

Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

The Seller should plan for a reasonable period for Freddie Mac to process and review the LST or underwriting package before receipt of the Quote, the early rate-lock application or the Letter of Commitment, as appropriate.

17.6 Workforce Housing Preservation (10/19/23)

A Workforce Housing Preservation Mortgage will have rent restrictions in place to preserve middle-income housing rental stock. Either the Loan Documents for the Workforce Housing Preservation Mortgage will contain Borrower-elected rent restrictions that are more restrictive by income or unit count than those existing pursuant to any federal, state or local requirements or the Property will be subject to third-party, non-governmental restrictions subject to Freddie Mac review and approval of the third-party agreement terms.

Workforce Housing Preservation Mortgages must comply with all standard requirements under the Multifamily Conventional Cash Mortgage Purchase Program noted under this Chapter 17, and the Workforce Housing Preservation Mortgage must:

- Require a market-based percentage of units to be set aside for middle-income tenants with a minimum of 20% of units
- Meet market-based affordability thresholds, which are measured as a percentage of area median income
- Be a fixed-rate Mortgage
- Have a preservation period that is the lesser of the term of the loan or 10 years (flexibility may be available in the last year of the loan term)



- Require annual Borrower certification of rent affordability levels

Multifamily Seller/Service Guide

Chapter 24

Freddie Mac Multifamily Utility Efficiency



Freddie Mac Multifamily Utility Efficiency	
24.1 Utility Efficiency definition and overview (12/16/25)	24.3 Description of Utility Efficiency offerings (12/16/25)
24.2 Eligibility for Utility Efficiency offerings (08/25/26)	

24.1 Utility Efficiency definition and overview (12/16/25)

Utility Efficiency is a suite of offerings for a Borrower who has made or plans to make the Borrower's Property more energy and water efficient. The offerings are as follows:

- Utility Efficiency – a loan option that becomes available when a Borrower commits to completing qualifying energy and water conservation measures identified in a Green Assessment
- Utility Efficiency Certified – a loan option available when the Borrower's Property has a Utility Efficiency Building Certificate, as described in Section 55.2
- C-PACE Consent – Freddie Mac's consent to the Borrower's pursuit of C-PACE financing

The Borrower may elect to pursue only one of the Utility Efficiency offerings, and the related Mortgage must meet the requirements for such offering set forth in this chapter.

24.2 Eligibility for Utility Efficiency offerings (12/16/25/26)

24.2(a) Utility Efficiency (08/25/26)	24.2(c) C-PACE Consent (12/16/25)
24.2(b) Utility Efficiency Certified (12/16/25)	

a. Utility Efficiency (12/16/25/26)

Conventional Cash Mortgages and TAH Cash Preservation Mortgages are eligible for Utility Efficiency.

The Mortgages can be fixed-rate or floating-rate, with a 5-year, 7-year or a 10-year term.

~~SBL Mortgages~~, MHC Mortgages, Seniors Housing Mortgages, Supplemental Mortgages, and Student Housing Mortgages are not eligible for Utility Efficiency.

b. Utility Efficiency Certified (12/16/25)

Conventional Cash Mortgages and TAH Cash Preservation Mortgages that meet the affordability criteria provided in the [term sheet](#) are eligible for Utility Efficiency Certified.

c. C-PACE Consent (12/16/25)

The Seller/Servicer must contact its Freddie Mac account manager to determine Mortgage eligibility for C-PACE Consent.

24.3 Description of Utility Efficiency offerings (12/16/25)

24.3(a) Utility Efficiency Loan option (12/17/19)	24.3(c) C-PACE Consent (02/28/19)
24.3(b) Utility Efficiency Certified (12/16/25)	



a. Utility Efficiency Loan option (12/16/25)

The process for using the Utility Efficiency Loan option is as follows:

- The Utility Efficiency Consultant prepares a Green Assessment as described in Chapter 65.
- The Green Assessment identifies energy and water conservation measures.
- The Borrower commits to complete sufficient energy and/or water improvements from the measures listed in the Green Assessment to result in a projected minimum energy or water consumption savings of 30 percent based on whole building consumption, provided that a minimum 15 percent of savings must be in energy consumption (Minimum Consumption Savings Threshold).
- Borrower must retain a Benchmarking Data Consultant for the life of the loan to collect, input and monitor the energy and water usage in accordance with Section 39.10.
- The energy and water improvements that the Borrower commits to complete will be identified as Utility Efficiency Improvements in the Utility Efficiency Improvements Rider to the Loan Agreement.
- The Borrower must escrow 125 percent of the estimated cost of the Utility Efficiency Improvements as part of the Repair Reserve.
- Work on the Utility Efficiency Improvements must be completed within two years, with the exception of Utility Efficiency Improvements for Value-Add Mortgages, Mod Rehab and Preservation Rehab Mortgages, which must be completed in accordance with Freddie Mac's requirements for those products.

To qualify for the Utility Efficiency Loan option, the Property must meet all eligibility requirements as determined by Freddie Mac, including the Minimum Consumption Savings Threshold. The Seller/Servicer must contact its Freddie Mac account manager for all eligibility criteria. The Borrower, through the Benchmarking Data Consultant, will be required to provide Benchmarking Metrics to Freddie Mac on an annual basis. The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer with respect to the benchmarking process are found in the Utility Efficiency Improvements Rider attached to the Loan Agreement.

Utility Efficiency Improvements are considered to be repairs for monitoring and reporting purposes. See Section 39.4. Additional Servicing requirements relating to Utility Efficiency Improvements are found in Section 39.10.

b. Utility Efficiency Certified (12/16/25)

A Fixed-rate Mortgage with a 10-year term that is secured by a Property with a Utility Efficiency Certificate may be considered Utility Efficiency Certified if 50 percent of the Property's units are affordable at the AMI based on the market, as calculated using the [Freddie Mac Affordability Test](https://mf.freddie.mac.com/lenders/uw/affordability-resources), located at <https://mf.freddie.mac.com/lenders/uw/affordability-resources> and the Borrower delivers to the Seller a copy of the Utility Efficiency Certificate for delivery by the Seller/Servicer in the underwriting package.



c. C-PACE Consent (02/28/19)

Freddie Mac approves C-PACE financing on those Mortgages which Freddie Mac may consider (i) purchasing a Mortgage for which C-PACE financing has been obtained, or (ii) approving C-PACE financing on a Mortgage that has been purchased by Freddie Mac, provided the C-PACE program is in compliance with the following requirements:

1. Verification of C-PACE Program

The Seller/Servicer must verify that the governing municipality offers a C-PACE program for which the Borrower and/or the Property qualify. The Seller/Servicer must:

- Obtain and review the documents required for C-PACE financing
- Include in the applicable underwriting package an energy audit or feasibility study for the Property, a technical review/report detailing the projected savings and the documentation required in the C-PACE Analysis

The C-PACE program must be in force at the time the Seller/Servicer submits either the full underwriting package to Freddie Mac or the consent request to approve C-PACE financing on a Mortgage that Freddie Mac already owns.

2. Conditions for Freddie Mac approval

In order for C-PACE financing to be acceptable, the following are the minimum conditions that must be satisfied:

- a. The proposed energy improvements must be consistent with the purpose of the C-PACE program or acceptable to the applicable State or local agency.
- b. Both the Borrower and the Property meet the applicable eligibility requirements for the C-PACE program.
- c. The DCR and LTV of the combined debt of the loan and the C-PACE financing must satisfy Freddie's Mac's then current requirements for the C-PACE program.
- d. The energy upgrades to the Property must result in a "Savings to Investment Ratio" greater than one (the projected lifetime savings from the energy measures must exceed the total investment over the full term of the C-PACE financing).
- e. The energy upgrades must be permanently affixed to the Property with the exception of district heating and cooling systems and microgrids.
- f. The Borrower must repay the C-PACE financing through property tax assessments on the Property, which payments will be escrowed.
- g. The C-PACE financing must provide that repayment will be amortized over the term of the C-PACE financing and not require a balloon payment at maturity.
- h. The C-PACE financing must not be secured by a mortgage on the Property.



- i. The State or local agency providing the C-PACE financing must not be permitted to accelerate the C-PACE financing for any default under the C-PACE program.
- j. The C-PACE program must provide that it will provide prompt notice to the mortgage lender of any default under the C-PACE financing.
- k. The C-PACE program must allow the mortgage lender not less than a 30-day right to cure a default under the C-PACE financing.
- l. The terms of the C-PACE program must require the Borrower to have received the mortgage holder's consent before the Borrower can obtain financing.
- m. The C-PACE financing must not be subject to reduction or termination for anything other than a monetary default.
- n. The municipality must not be permitted to foreclose on the Property without notice of foreclosure being delivered to Freddie Mac, its successors or assigns no less than 30 days prior to foreclosure.
- o. If C-PACE financing has been approved, the Mortgage will provide that Borrower and the Property must remain in compliance with the C-PACE financing terms.
- p. There must be no defaults or Events of Default under the Loan Agreement or any other agreements relating to Freddie Mac's loan on the Property.
- q. In the event the C-PACE financing is in place at the origination of the loan, the C-PACE lender must deliver an estoppel certificate to the Seller no less than 10 days prior to the Origination Date in a form acceptable to Freddie Mac. The estoppel certificate must be dated no earlier than 30 days prior to the Origination Date and must include:
 - i. The date the C-PACE financing was made,
 - ii. The original principal amount of the C-PACE financing,
 - iii. The interest rate,
 - iv. Terms from repayment,
 - v. Whether the Borrower has met its obligations under the C-PACE financing, and
 - vi. Any additional information about the C-PACE financing that a lender would be interested in knowing.

Freddie Mac may require additional provisions in the estoppel certificate based on Freddie Mac's review of the terms and conditions of the C-PACE financing.

The Seller must submit the approved and executed estoppel certificate to Freddie Mac at final delivery of the Mortgage.

Multifamily Seller/Servicer Guide

Chapter 27

Commitment or Early Rate Lock Application



Commitment or Early Rate Lock Application	
27.1 Overview of commitment and early rate lock application options (08/25/26)	27.16 Rate Lock and Mortgage Terms Confirmation Sheet (04/15/21)
27.2 Loan Submission Template (LST) (04/15/21)	27.17 Reserved (04/15/21)
27.3 Quote (04/15/21)	27.18 Early rate lock delivery–delivery due dates and requirements (02/17/22)
27.4 Required Seller provisions for Seller Application, Letter of Commitment and early rate lock application (04/15/21)	27.19 Early rate lock delivery – acceptance or rejection of early rate lock application (12/16/21)
27.5 Underwriting package (04/15/21)	27.20 Early rate lock delivery – Increased Mortgage Amount (04/15/21)
27.6 Application fee and payment (08/25/26)	27.21 Reserved (04/15/21)
27.7 Standard delivery – Letter of Commitment (04/15/21)	27.22 Reserved (04/15/21)
27.8 Early rate lock delivery – early rate lock application (04/15/21)	27.23 Final Delivery and purchase requirements (04/15/21)
27.9 Early rate lock delivery option – Freddie Mac’s reliance (04/15/21)	27.24 Nondelivery (04/15/21)
27.10 Early rate lock delivery – good faith deposit (04/15/21)	27.25 Reserved (04/15/21)
27.11 Reserved (04/15/21)	27.26 Late delivery (04/15/21)
27.12 Reserved (04/15/21)	27.27 Payment of the Breakage Fee (06/17/21)
27.13 Breakage Obligor (04/15/21)	27.28 Right to demand delivery of good faith deposit letter of credit or demand note (04/15/21)
27.14 Locking the interest rate and other terms (04/15/21)	27.29 General terms (08/25/26)
27.15 Effect of prior Index Lock (fixed-rate Mortgages only) (04/15/21)	27.30 Explanation of terms and additional requirements (08/17/23)



27.1 Overview of commitment and early rate lock application options (~~04/15/21~~08/25/26)

27.1(a) [Delivery options \(04/15/21\)](#)

27.1(b) [Index Lock \(for fixed-rate Mortgages only\) \(04/15/21\)](#)

This chapter details requirements relating to:

- Freddie Mac's standard delivery option, including any Letter of Commitment issued by Freddie Mac, and
- Freddie Mac's early rate lock delivery option, including any early rate lock application submitted to Freddie Mac

Unless otherwise specified, the provisions of this chapter apply to both the standard delivery and early rate lock delivery options.

~~Except as specified in Chapter 18SBL, this chapter will not apply to the SBL Purchase Product.~~

a. Delivery options (04/15/21)

Freddie Mac offers the following two delivery options:

1. Standard delivery option; Letter of Commitment

In the standard delivery option, Freddie Mac determines the proposed Mortgage Financial Terms and conditions for the purchase of the Mortgage after Freddie Mac's receipt and approval of the full underwriting package. Rate Lock occurs after Freddie Mac has issued, and the Seller has accepted, the Letter of Commitment.

When the Seller accepts the Letter of Commitment, the Seller will have entered into a Purchase Contract with Freddie Mac. The Purchase Contract obligates the Seller to deliver the Mortgage to Freddie Mac in accordance with the provisions and conditions set forth in the Letter of Commitment by the Mandatory Delivery Date specified in the Confirmation Sheet.

2. Early rate lock delivery option; early rate lock application

In the early rate lock delivery option, Freddie Mac determines the proposed Mortgage Financial Terms and conditions for the purchase of the Mortgage after Freddie Mac's receipt and approval of the preliminary underwriting package, but prior to receipt and approval of the full underwriting package. Rate Lock occurs after the Seller has executed and submitted the early rate lock application to Freddie Mac, but before the early rate lock application has been accepted by Freddie Mac.

The early rate lock application will not become a Purchase Contract when the Seller completes the Rate Lock. The early rate lock application will become a Purchase contract only when either of the following occurs:

- Freddie Mac accepts the early rate lock application and executes an Acceptance Letter setting forth the nonmaterial modification(s), if any, to the early rate lock application, or



- Freddie Mac requires a Material Modification in a Modification Letter and the Seller accepts the Material Modification and executes the Modification Letter

The early rate lock delivery option is available for all Conventional Cash Mortgages with a minimum principal amount of \$2.5 million. The early rate lock delivery option is available for other Mortgage products if specified in the applicable Guide chapter for such other Mortgage products.

b. Index Lock (for fixed-rate Mortgages only) (04/15/21)

In addition to the two delivery options, for certain fixed-rate Mortgages Freddie Mac may in its sole discretion allow the Seller to lock the Yield Rate on the applicable U.S. Treasury security ("Index Lock") prior to submitting the underwriting package to Freddie Mac pursuant to an agreement between Freddie Mac and the Seller ("Index Lock Agreement"). After Index Lock, the Seller will proceed pursuant either to the standard delivery option or the early rate lock delivery option, as specified in the Index Lock Agreement.

27.2 Loan Submission Template (LST) (04/15/21)

To receive a Quote from Freddie Mac, the Seller must submit the applicable LST as provided at <https://mf.freddiemac.com/lenders/uw/loan-submission-template>, together with the required supporting documents to begin the process.

27.3 Quote (04/15/21)

27.3(a) Quote (04/15/21)	27.3(c) Information in Quote (04/15/21)
27.3(b) Obligations of the parties (04/15/21)	27.3(d) Quoted spread and interest rate (04/15/21)

a. Quote (04/15/21)

If the Mortgage presented in the LST and supporting documents appears to meet the requirements of the applicable Freddie Mac Mortgage program, Freddie Mac will, at its option, issue a Quote.

b. Obligations of the parties (04/15/21)

A Quote is non-binding. If Freddie Mac issues a Quote, the Seller will not be obligated to submit a full underwriting package and Freddie Mac will not be obligated to issue a Letter of Commitment, accept an early rate lock application or purchase the proposed Mortgage.

c. Information in Quote (04/15/21)

The Quote will include the proposed Mortgage Financial Terms and any other preliminary requirements based on the information contained in the LST and supporting documents.



d. Quoted spread and interest rate (04/15/21)

The quoted net spread and gross spread are based on preliminary information about the proposed Mortgage. Freddie Mac, in its sole discretion, may change the quoted net spread or quoted gross spread.

27.4 Required Seller provisions for Seller Application, Letter of Commitment and early rate lock application (04/15/21)

27.4(a) Authorization to publicly use transactional information (04/15/21)	27.4(b) Breakage provisions (04/15/21)

a. Authorization to publicly use transactional information (04/15/21)

The Seller Application must include the following authorization:

“The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the “Mortgage”) to Freddie Mac. Borrower agrees that [Name of Seller] and Freddie Mac may publicly use, at their discretion, the name and location of the Property, photographs of the Property, and basic transaction and property level information (for example, the number of units in the Property and the loan amount) relating to the Mortgage.”

b. Breakage provisions (04/15/21)

Seller’s commitment or early rate lock application (or the equivalent) with the Borrower must include the provisions relating to breakage set forth in the Letter of Commitment or early rate lock application, as applicable. Freddie Mac’s standard language regarding breakage may be obtained at https://mf.freddiemac.com/docs/breakage_fee_provisions.docx.

If any part of such breakage provisions is not enforceable under the laws of the applicable jurisdiction, the Seller must promptly notify Freddie Mac in writing of such unenforceability and recommend alternate language that will be enforceable under applicable law.

27.5 Underwriting package (04/15/21)

After Freddie Mac issues a Quote, the Seller may proceed with the standard delivery option by delivering to Freddie Mac a full underwriting package, or the early rate lock delivery option (if available) by delivering a preliminary underwriting package.

Freddie Mac specifies the list of documents in the preliminary and full underwriting package in the applicable section of Exhibit 1, Underwriting Checklists.

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.



27.6 Application fee and payment (~~42/46~~08/25/26)

27.6(a) Application fee (08/25/26)	27.6(c) Early rate lock – payment of application fee; additional application fee (08/17/23)
27.6(b) Standard Delivery – payment of application fee (12/16/25)	27.6(d) Wire transfer (04/15/21)

a. Application fee (~~04/15/21~~08/25/26)

Once earned, the application fee is nonrefundable. Unless otherwise set forth in the Commitment, the early rate lock application, the Acceptance Letter or the Modification Letter, the standard application fees are as follows:

Mortgage product	Fee
Conventional Cash	Greater of \$2,000 or 0.1% of Mortgage amount
Seniors Housing	Greater of \$5,000 or 0.15% of Mortgage amount
Targeted Affordable Housing Cash	Greater of \$3,000 or 0.1% of Mortgage amount
Supplemental	Greater of \$5,000 or 0.1% of Mortgage amount
~~Small Balance Loan~~	~~See Chapter 18SBL~~
Targeted Affordable Housing Tax Exempt Loan	Greater of \$3,000 or 0.1% of Mortgage Amount
Targeted Affordable Housing Bond Credit Enhancement	0.1% of Mortgage Amount

b. Standard Delivery – payment of application fee (12/16/25)

For the standard delivery option, the nonrefundable application fee will be deemed earned by Freddie Mac on the earlier of: delivery of the full underwriting package or 30 days after the date the Borrower executes the Seller Application.

Once earned by Freddie Mac, the Seller must remit the application fee by the earlier of:

- If Rate Lock has occurred, by 2:00 p.m. Eastern time on the second Business Day following Rate Lock,
- 90 days after the date the application fee was deemed earned, or



- The second Business Day following demand by Freddie Mac

The amount of the application fee is as follows:

<u>Rate Lock or Letter of Commitment Status</u>	Amount of application fee
If a Rate Lock has occurred	Based on the rate locked Mortgage amount
If Freddie Mac issues a Letter of Commitment and Seller fails to accept the Commitment or Rate Lock by the Expiration Date	Based on the maximum Mortgage amount set forth in the Letter of Commitment
If Freddie Mac determines that it will not issue a Letter of Commitment for any reason	Based on the maximum Mortgage amount set forth in the Seller Application

c. Early rate lock – payment of application fee; additional application fee (08/17/23)

For the early rate lock delivery option, the nonrefundable application fee will be deemed earned by Freddie Mac at Rate Lock. The Seller must remit the application fee to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day after Rate Lock.

If the Mortgage amount increases after final underwriting, an additional nonrefundable application fee determined in accordance with the formula set forth in Section 27.6(a) will be deemed earned by Freddie Mac upon Seller's execution of the Acceptance Letter and must be remitted to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day after Seller's execution of the Acceptance Letter.

d. Wire transfer (04/15/21)

The Seller must obtain wire transfer instructions for the application fee from Freddie Mac.

The Seller must send the wire transfer to the attention of Multifamily Cash Management and reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.

27.7 Standard delivery – Letter of Commitment (04/15/21)

<u>27.7(a) Issuance of a Letter of Commitment (04/15/21)</u>	<u>27.7(c) Seller failure to accept Letter of Commitment (04/15/21)</u>
<u>27.7(b) Seller acceptance (04/15/21)</u>	-

a. Issuance of a Letter of Commitment (04/15/21)

If Freddie Mac approves the proposed Mortgage, Freddie Mac will issue a Letter of Commitment to the Seller. The Letter of Commitment will provide the Mortgage Financial Terms (except for those items that cannot be completed until Rate Lock) and the purchase conditions applicable to the Mortgage.

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b. Seller acceptance (04/15/21)

The Seller may accept the Letter of Commitment by countersigning the Letter of Commitment executed by Freddie Mac and causing it to be received by Freddie Mac via DMS no later than the Expiration Date.

c. Seller failure to accept Letter of Commitment (04/15/21)

If the Seller fails to accept the Letter of Commitment and Rate Lock by the Expiration Date, the Letter of Commitment will automatically expire, and Freddie Mac will not be obligated to purchase the Mortgage.

27.8 Early rate lock delivery – early rate lock application (04/15/21)

27.8(a) Proceeding with the early rate lock delivery option (04/15/21)	27.8(c) Execution by the Seller (04/15/21)
27.8(b) Preparing the early rate lock application (04/15/21)	

a. Proceeding with the early rate lock delivery option (04/15/21)

If the Mortgage presented in the preliminary underwriting package appears to meet Freddie Mac's requirements, Freddie Mac will inform the Seller that the Seller may proceed with the early rate lock delivery option.

b. Preparing the early rate lock application (04/15/21)

Freddie Mac will provide an unexecuted early rate lock application form to the Seller, completed with the Mortgage Financial Terms (except for those items that cannot be completed until Rate Lock) and other provisions pertaining to the Mortgage acceptable to Freddie Mac.

c. Execution by the Seller (04/15/21)

If the Seller desires to proceed to Rate Lock, the Seller must execute the early rate lock application and cause it to be received by Freddie Mac via DMS no later than the Expiration Date.

27.9 Early rate lock delivery option – Freddie Mac's reliance (04/15/21)

The Seller assumes responsibility for the truth and accuracy of all information delivered by it to Freddie Mac in connection with a Mortgage sold to Freddie Mac using the early rate lock application.

The Seller acknowledges that Freddie Mac will incur certain financial liabilities in connection with an early rate lock application. Freddie Mac will rely upon the veracity and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller in connection with the early rate lock application and the Mortgage even if such documents were not prepared by the Seller and whether or not the Seller knew or had reason to know the accuracy of their contents.



27.10 Early rate lock delivery – good faith deposit (04/15/21)

27.10(a) General requirements for early rate lock good faith deposit (04/15/21)	27.10(d) Amount waived; waiver to benefit Borrower (04/15/21)
27.10(b) Cash (04/15/21)	27.10(e) Release (04/15/21)
27.10(c) Letter of credit or demand note (04/15/21)	

a. General requirements for early rate lock good faith deposit (04/15/21)

As security for all or a portion of the Seller's obligations under the early rate lock application, the Seller must collect the required good faith deposit from Borrower and hold it in trust for Freddie Mac. Within two Business Days following Rate Lock, the Seller must upload confirmation of its receipt of the required good faith deposit to DMS as follows:

Type of good faith deposit	Seller must upload to DMS
Cash (see Section 27.10(b) below)	Copy of the wire confirmation to the Custodial Account
Letter of credit (see Section 27.10(c) below)	Copies of the: • Letter of credit • Opinion of issuer's counsel • Letter of Credit Certification form
Demand note (see Section 27.10(c) below)	Copy of the demand note

Unless otherwise set forth in the early rate lock application, the standard good faith deposit amounts are as follows:

Type of loan	Type of good faith deposit	Standard good faith deposit amount
Floating-rate loan	Cash or letter of credit	Greater of 1% of the maximum Mortgage amount or \$25,000
	Demand note	Greater of 2% of the maximum Mortgage amount or \$25,000
Fixed-rate Loan	Cash or letter of credit (Early Rate Lock 9 months or less)	Greater of 2% of the maximum Mortgage amount or \$50,000



Type of loan	Type of good faith deposit	Standard good faith deposit amount
	Cash or letter of credit (Early Rate Lock > 9 months and < 12 months)	Greater of 3% of the maximum Mortgage amount or \$50,000
	Demand note	Greater of 3% of the maximum Mortgage amount or \$50,000

b. Cash (04/15/21)

A cash good faith deposit must be held in a Custodial Account meeting the requirements of Chapter 52 and must be designated exactly as shown in one of the following:

- “(Name of Depositor/Servicer), as custodian and/or bailee for Freddie Mac and/or various owners of interests in Mortgages,” or
- “Freddie Mac GFD Custodial Account.” However, if the Seller uses the abbreviated designation, then for all purposes of the Purchase and Servicing Documents and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages, the abbreviated account designation will be deemed to be the same as the unabbreviated account designation and will be deemed to confer upon Freddie Mac and those persons the same rights and interests with respect to the good faith deposit Custodial Account and the funds deposited or held in the account.

c. Letter of credit or demand note (04/15/21)

With the approval of Freddie Mac, in lieu of holding cash for all or a portion of the good faith deposit, the Seller may hold either:

- A letter of credit, subject to compliance with the requirements of Section 11.2, or
- Under limited circumstances, a demand note in the form published at https://mf.freddiemac.com/docs/demand_promissory_note.docx and otherwise meeting all of Freddie Mac’s requirements

d. Amount waived; waiver to benefit Borrower (04/15/21)

Under certain circumstances, Freddie Mac may in its sole discretion waive all or a portion of the good faith deposit. The amount of the waiver will be specified in the early rate lock application.

Freddie Mac’s waiver of all or a portion of the good faith deposit is intended to benefit the Borrower. The Seller is prohibited from collecting any type of security from the Borrower to secure payment of any portion of the Breakage Fee to the extent that the good faith deposit is waived. Seller may still collect funds from the Borrower for purposes unrelated to the waived portion of the good faith deposit.



e. Release (04/15/21)

The Seller is authorized to release the good faith deposit to Borrower on or after the Freddie Mac Funding Date. The Seller may release the good faith deposit to Borrower after the Origination Date but before the Freddie Mac Funding Date if all the following conditions are satisfied, provided that such early release will not waive or modify any obligation of the Seller to pay any Breakage Fee that may become due:

- The Seller has uploaded the final Confirmation Sheet, executed by both Freddie Mac and Seller, to DMS
- Seller has originated the Mortgage and disbursed the loan proceeds to or for the account of Borrower in accordance with the terms of the Purchase Contract
- Seller uploads a copy of the executed Note and Settlement Statement to DMS using the document type “GFD release evidence”

27.11 Reserved (04/15/21)

27.12 Reserved (04/15/21)

27.13 Breakage Obligor (04/15/21)

27.13(a) Requirement for Breakage Obligor (04/15/21)	27.13(c) Freddie Mac approval of Breakage Obligor (04/15/21)
27.13(b) Definition of Breakage Obligor (04/15/21)	

a. Requirement for Breakage Obligor (04/15/21)

If required by the Letter of Commitment or the early rate lock application, the Seller must ensure that a Breakage Obligor (defined below) will be jointly and severally liable with the Borrower for the payment of the Breakage Fee.

b. Definition of Breakage Obligor (04/15/21)

For purpose of this section, the “Breakage Obligor” is one of the following:

- All of the Guarantor(s)
- If there is no Guarantor, an individual or entity that (x) has a net worth and liquidity sufficient to pay the maximum Breakage Fee and (y) has an ownership interest in the Borrower or another relationship to the Borrower or the Loan that is legally sufficient to support the contractual obligation to pay the Breakage Fee

c. Freddie Mac approval of Breakage Obligor (04/15/21)

If Freddie Mac approves in writing a Breakage Obligor that is not a Guarantor, the Seller will not be liable for such individual or entity’s failure to satisfy the conditions set forth in (b) above.



27.14 Locking the interest rate and other terms (04/15/21)

27.14(a) Fixed-rate Mortgages (04/15/21)	27.14(b) Floating-Rate Mortgages (04/15/21)

a. Fixed-rate Mortgages (04/15/21)

1. Rate lock

Prior to Rate Lock of a fixed rate Mortgage, the Seller must execute and upload to DMS the Letter of Commitment or the early rate lock application, as applicable.

To Rate Lock a fixed rate Mortgage, the Seller must complete a Rate Lock Call no later than the Expiration Date.

At Rate Lock, Freddie Mac will complete the Confirmation Sheet with the Yield Rate. Except as set forth in Section 27.15, the “Yield Rate” will be the greater of (A) the actual yield for the designated benchmark U.S. Treasury security on the date and time of Rate Lock and (B) the Treasury Floor, if a Treasury Floor is specified in the Confirmation Sheet.

The interest rate for the Mortgage will equal the Yield Rate plus the net spread and the Servicing Spread, all as specified in the Confirmation Sheet.

2. Rate Lock Call

Freddie Mac may record the Rate Lock Call. On the Rate Lock Call, the Seller must confirm the following:

- The caller's name and title
- Seller name
- Property name
- Mortgage term, amortization period (if applicable), interest only period (if applicable), interest rate calculation method and Yield Maintenance Period (if applicable)
- Mortgage amount
- The interest rate for the Mortgage, net spread, and Servicing Spread
- Actual annual debt service amount (principal and interest or interest only)

3. No liability

If Freddie Mac does not have access to any system it uses to Rate Lock and/or “real time” market yields on the applicable benchmark U.S. Treasury security and as a result Freddie Mac is unable to complete the Rate Lock at the time the Seller communicates its intent to Rate Lock, Freddie Mac will not be liable for any damages whether direct or consequential.



4. Prior Index Lock

If there has been a prior Index Lock, the provisions of this section are subject to Section 27.15.

b. Floating-Rate Mortgages (04/15/21)

1. Spread Lock generally

The interest rate for a Floating-Rate Mortgage, which will vary during the term of the Mortgage, will be determined by adding the net spread and the Servicing Spread set forth in the Confirmation Sheet to the applicable index. Because the interest rate for a Floating-Rate Mortgage cannot be fixed by the Letter of Commitment or early rate lock application, there is no procedure for “locking the interest rate” for a Floating-Rate Mortgage. References to “locking the interest rate” or “Rate Lock” for a Floating-Rate Mortgage will mean locking the net spread and the Servicing Spread set forth in the Confirmation Sheet.

2. Procedure for Spread Lock

Prior to Rate Lock of a Floating-Rate Mortgage, the Seller must execute and upload to DMS the Letter of Commitment or the early rate lock application, as applicable.

The Seller may lock the net spread and the Servicing Spread by providing Freddie Mac authorization before the Expiration Date to lock the spread.

27.15 Effect of prior Index Lock (fixed-rate Mortgages only) (04/15/21)

The provisions of this Section 27.15 will apply only to any fixed rate Mortgage where there was a prior Index Lock.

27.15(a) Index-Locked Portion (04/15/21)	27.15(c) Spread (04/15/21)
27.15(b) Non Index-Locked Portion (04/15/21)	27.15(d) Blended rate (04/15/21)

a. Index-Locked Portion (04/15/21)

The Yield Rate for the portion of the Mortgage that is subject to the prior Index Lock (the “Index-Locked Portion,” as set forth in the Confirmation Sheet) will be the Index-Locked Yield Rate as specified in the Confirmation Sheet. Since the Yield Rate for the Index-Locked Portion is already locked, references in the Commitment to “locking the interest rate” and “Rate Lock,” with respect to the Index-Locked Portion will refer to locking the spread.

b. Non Index-Locked Portion (04/15/21)

If there is a portion of the Mortgage that is not subject to the prior Index Lock (the “Non Index-Locked Portion,” as set forth in the Confirmation Sheet), the Yield Rate for the Non Index-Locked Portion will be the greater of (x) the actual yield on the designated benchmark U.S. Treasury security on the date and time of Rate Lock and (y) the Treasury Floor, if a Treasury Floor is specified in the Confirmation Sheet.

**c. Spread (04/15/21)**

If there is a Non Index-Locked Portion of the Mortgage, the net spread and/or Servicing Spread for the Index-Locked Portion and the Non Index-Locked Portion may differ.

d. Blended rate (04/15/21)

If there is a Non Index-Locked Portion of the Mortgage, Freddie Mac will determine the interest rate for the Mortgage by blending the interest rate for the Index-Locked Portion and the interest rate for the Non Index-Locked Portion, if applicable. Freddie Mac's determination of the blended rate will be binding and conclusive absent manifest error.

27.16 Rate Lock and Mortgage Terms Confirmation Sheet (04/15/21)

27.16(a) Confirmation of Rate Lock Terms (04/15/21)	27.16(b) Failure to Return Confirmation Sheet (04/15/21)

a. Confirmation of Rate Lock Terms (04/15/21)

After Rate Lock, Freddie Mac will deliver to the Seller a completed Confirmation Sheet.

No later than the Business Day immediately following the Seller's receipt of the Confirmation Sheet, the Seller must execute and upload to DMS the Confirmation Sheet to indicate its acceptance of the Rate Lock terms.

b. Failure to Return Confirmation Sheet (04/15/21)

If the Seller fails to return the executed Confirmation Sheet to Freddie Mac within the required time, Freddie Mac may, in its discretion, treat such failure as a Nondelivery.

27.17 Reserved (04/15/21)**27.18 Early rate lock delivery—delivery due dates and requirements (02/17/22)**

After Rate Lock, the Seller must deliver the full underwriting package in accordance with the following chart depending on the length of the early rate lock application. The Mandatory Delivery Date will also be determined as set forth below unless otherwise specified in the Confirmation Sheet.

Type of early rate lock	Funding Length	Date full underwriting package is due	Mandatory Delivery Date
4-month early rate lock	120 Day Funding	45 days after Rate Lock	Earlier of: • 105 days after Rate Lock • 25 days after Freddie Mac's acceptance of the



Type of early rate lock	Funding Length	Date full underwriting package is due	Mandatory Delivery Date
			early rate lock application
3-month early rate lock	90 Day Funding	22 days after Rate Lock	75 days after Rate Lock
2.5-month early rate lock	75 Day Funding	15 days after Rate Lock	60 days after Rate Lock
2-month early rate lock	60 Day Funding	7 days after Rate Lock	45 days after Rate Lock

At Freddie Mac's discretion, the following extensions may be available to add to a 4-month early rate lock. If an extension is applicable, then after Rate Lock the Seller must deliver the full underwriting package in accordance with the following chart. The Mandatory Delivery Date will also be determined as set forth below unless otherwise specified in the Confirmation Sheet.

Type of early rate lock	Type of extension (in addition to 120 Day Funding)	Date full underwriting package is due	Mandatory Delivery Date is the earlier of the date below or 25 days after Freddie Mac's acceptance of the early rate lock application
8-month early rate lock	4-month extension	165 days after Rate Lock	225 days after Rate Lock
7-month early rate lock	3-month extension	135 days after Rate Lock	195 days after Rate Lock
6-month early rate lock	2-month extension	105 days after Rate Lock	165 days after Rate Lock
5-month early rate lock	1-month extension	75 days after Rate Lock	135 days after Rate Lock

The full underwriting package must include any document included in the preliminary underwriting package for which there is a material change.

Freddie Mac intends to complete its review of the full underwriting package within 30 days of its receipt but reserves the right to take such additional time as is reasonably necessary to complete its review.



27.19 Early rate lock delivery – acceptance or rejection of early rate lock application (12/16/21)

27.19(a) Freddie Mac actions (04/15/21)	27.19(d) Acceptance of the early rate lock application with a Material Modification (04/15/21)
27.19(b) Acceptance of the early rate lock application with no modifications or with nonmaterial modifications, without a reduction of the Mortgage amount (04/15/21)	27.19(e) Rejection of the early rate lock application (12/16/21)
27.19(c) Acceptance of the early rate lock application with nonmaterial modifications, including a reduction of the Mortgage amount (04/15/21)	

a. Freddie Mac actions (04/15/21)

Following its complete review of the full underwriting package, Freddie Mac will take one of the following actions with respect to the early rate lock application:

- Accept the early rate lock application with no modifications
- Accept the early rate lock application with nonmaterial modifications, but without a reduction of the mortgage amount
- Accept the early rate lock application with nonmaterial modifications, including a reduction of the mortgage amount
- Accept the early rate lock application with a Material Modification
- Reject the early rate lock application

“Material Modification” of the terms of the early rate lock application means a change that a reasonable borrower or lender would deem to be material to the transaction as a whole. Any change that is not a Material Modification will be deemed a nonmaterial modification.

b. Acceptance of the early rate lock application with no modifications or with nonmaterial modifications, without a reduction of the Mortgage amount (04/15/21)

If Freddie Mac accepts the early rate lock application either (i) with no modifications or (ii) with nonmaterial modifications, but without a reduction of the Mortgage amount, Freddie Mac will issue an Acceptance Letter specifying the Mortgage Financial Terms for the Mortgage, which will include, if applicable, any nonmaterial modifications to the terms of the early rate lock application submitted by the Seller.

By submitting the early rate lock application, the Seller agrees to be bound by any nonmaterial modifications to the early rate lock application set forth in the Acceptance Letter. The Seller must acknowledge and upload the Acceptance Letter, including its agreement to service the Mortgage, to DMS in accordance with the terms specified in the Acceptance Letter. Failure to sign and upload to DMS the Acceptance Letter (including the agreement to service the

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Mortgage) will constitute a Nondelivery and Freddie Mac, at its option, will collect the Breakage Fee from the Seller. The Breakage Fee will be calculated based on the rate locked Mortgage amount.

c. Acceptance of the early rate lock application with nonmaterial modifications, including a reduction of the Mortgage amount (04/15/21)

1. Reductions in Mortgage amount

If the full underwriting package demonstrates a Low Appraisal/LTV, Low-Income or Occupancy and/or Low NOI/DCR (as each such term is defined in this chapter) and no other basis for a Rejection exists, in lieu of a Rejection, Freddie Mac, in its sole discretion (based upon the underwriting standards and criteria utilized as of the date of the Rate Lock), may accept the early rate lock application with nonmaterial modifications, but reduce the Mortgage amount. The reduction in the Mortgage amount will not be deemed a Material Modification.

If there is a reduced Mortgage amount (“Reduced Mortgage Amount”), Freddie Mac will issue an Acceptance Letter specifying the Mortgage Financial Terms for the Mortgage, which will include, if applicable, any nonmaterial modifications to the terms of the early rate lock application submitted by the Seller. The Acceptance Letter will include a revised Confirmation Sheet reflecting the Reduced Mortgage Amount and any changes necessitated by the change in the Mortgage amount. None of such changes will be deemed a Material Modification.

By submitting the early rate lock application, the Seller agrees to be bound by any nonmaterial modifications to the early rate lock application set forth in the Acceptance Letter, including any reduction in the Mortgage amount. The Seller must acknowledge and upload the Acceptance Letter, including the revised Confirmation Sheet and its agreement to service the Mortgage, to DMS in accordance with the terms specified in the Acceptance Letter. Failure to sign and upload to DMS the Acceptance Letter (including the revised Confirmation Sheet and the agreement to service the Mortgage) will constitute a Nondelivery and Freddie Mac, at its option, will collect the Breakage Fee from the Seller. The Breakage Fee will be calculated based on the rate locked Mortgage amount.

2. Breakage Fee for Reduced Mortgage Amount

Except as otherwise set forth in this chapter, the following provisions will apply to a Reduced Mortgage Amount:

- If the reduction of the Mortgage amount is 10% or less of the rate locked Mortgage amount, then no Breakage Fee will be due.
- If the reduction of the Mortgage amount is more than 10 percent of the rate locked Mortgage amount, then Freddie Mac, at its option, will collect a Breakage Fee from the Seller calculated on the difference between 90 percent of the rate locked Mortgage amount and the Reduced Mortgage Amount. In such cases, the Acceptance Letter will specify the amount of the Breakage Fee.

3. Nondelivery after Seller Acknowledgment



If there is a Nondelivery after the Seller's acknowledgment and execution of the Acceptance Letter and the revised Confirmation Sheet, then the Breakage Fee will be calculated based on the original rate locked Mortgage amount and not the Reduced Mortgage Amount.

d. Acceptance of the early rate lock application with a Material Modification (04/15/21)

If Freddie Mac determines following its complete review of the full underwriting package that it will not purchase the Mortgage without a Material Modification of the terms of the early rate lock application, Freddie Mac will send a Modification Letter to the Seller setting forth the proposed modifications, including, if applicable, a revised Confirmation Sheet.

If the proposed Material Modification set forth in the Modification Letter is not acceptable to the Borrower, then the early rate lock application will be deemed to be Rejected by Freddie Mac, but the Seller will not owe a Breakage Fee and Freddie Mac will authorize the Seller to release the good faith deposit to the Borrower.

If the proposed Material Modification set forth in the Modification Letter is acceptable to the Borrower, the Seller must sign the Modification Letter, including its agreement to service the Mortgage and, if applicable, the revised Confirmation Sheet, and upload it to DMS in accordance with the terms specified in the Modification Letter.

If the proposed Material Modification set forth in the Modification Letter is acceptable to the Borrower, but the Seller does not execute and return the Modification Letter (including its agreement to service the Mortgage and, if applicable, the revised Confirmation Letter) within the time specified by Freddie Mac in the Modification Letter, the early rate lock application will be deemed to be Rejected by Freddie Mac and Freddie Mac, at its option, will collect the Breakage Fee from the Seller, in which event the provisions of Section 27.27(c) regarding the good faith deposit and the assignment of Seller's rights to collect the Breakage Fee from the Borrower will not apply.

e. Rejection of the early rate lock application (12/16/21)

If Freddie Mac determines following its complete review of the full underwriting package that it will not purchase the Mortgage, it will Reject the early rate lock application.

1. Rejection with no Breakage Fee

If Freddie Mac Rejects the early rate lock application for any of the following reasons, the Seller will not owe a Breakage Fee; Freddie Mac will notify the Seller of such Rejection and authorize the Seller to release the good faith deposit to the Borrower:

- A. Material adverse change in any of the following due to fire or other casualty prior to the date that Freddie Mac accepts the early rate lock application:
- Rental income
 - Expenses for operation of the Property
 - Physical condition of the Property



- B. Disclosure of conditions at the Property in any of the following reports that are unacceptable to Freddie Mac but were not known by the Seller or the Borrower prior to the Rate Lock:
- Appraisal
 - Property condition report
 - Environmental report
 - Zoning report
- C. If Freddie Mac requires a Material Modification that is not acceptable to the Borrower
- D. Any reason not set forth in Section 27.19(e)(2)

2. Rejection with Breakage Fee

If Freddie Mac Rejects the early rate lock application for any of the following reasons, Freddie Mac, at its option, may collect the Breakage Fee from the Seller and/or exercise its other remedies set forth in the Guide:

- A. Material adverse change in any of the following not attributable to fire or other casualty:
- Title to the Property
 - Physical condition of the Property
 - Property operation
 - Rental income
- B. Material adverse change in the financial condition or credit of any of the following from that which was disclosed in writing to Freddie Mac:
- Borrower
 - Borrower Principal(s)
 - Guarantor(s)
- C. A change (whether direct or indirect) in the Control or in the ownership of any of the following from that which was disclosed in writing to Freddie Mac prior to the Rate Lock that is unacceptable to Freddie Mac in Freddie Mac's sole discretion:
- The Property
 - Borrower



- Borrower Principal(s)
 - Guarantor(s)
- D. Disclosure of conditions at the Property in any of the following reports that are unacceptable to Freddie Mac that were known by the Seller or the Borrower but not disclosed in writing to Freddie Mac prior to the Rate Lock:
- Appraisal
 - Property condition report
 - Environmental report
 - Zoning report
- E. Either the income or occupancy reflected on the rent roll delivered with the full underwriting package is lower than the required income and occupancy set forth in the early rate lock application, and Freddie Mac (using the same underwriting standards that it used at Rate Lock) determines in its reasonable discretion that the Property will not be able to meet the occupancy and income requirements by the Origination Date of the Mortgage (“Low-Income or Occupancy”)
- F. The Net Operating Income is less than the required Net Operating Income set forth in the early rate lock application and/or the Debt Coverage Ratio, as determined by Freddie Mac in its sole and absolute discretion (using the same underwriting standards that it used at Rate Lock), is less than the minimum Debt Coverage Ratio set forth in the early rate lock application (“Low NOI/DCR”)
- G. The appraised value set forth in the Appraisal is less than the minimum appraised value set forth in the early rate lock application and/or the Loan-to-Value Ratio, as determined by Freddie Mac in its sole and absolute discretion (using the same underwriting standards that it used at Rate Lock), exceeds the maximum Loan-to-Value Ratio set forth in the early rate lock application (“Low Appraisal/LTV”)
- H. Any representation, warranty, statement, certificate or other information made or furnished to Freddie Mac in connection with the proposed Mortgage is false or misleading in any material respect as of the date made
- I. Any other reason specified in the early rate lock application

27.20 Early rate lock delivery – Increased Mortgage Amount (04/15/21)

After Freddie Mac has reviewed the full underwriting package, the Seller may request that Freddie Mac increase the rate locked Mortgage amount if the full underwriting package demonstrates that, based on an increase in Net Operating Income and other factors (excluding a higher than expected appraised value), the Property can support an increased Mortgage amount and meet the minimum Debt Coverage Ratio and maximum Loan-to-Value Ratio set forth in the early rate lock application.



Freddie Mac will determine, in its sole and absolute discretion, if the Seller's request for an increase is supported by the full underwriting package and, if applicable, will determine the increased Mortgage amount ("Increased Mortgage Amount").

The amount of the increase must be at least the greater of \$100,000 or 1% of the rate locked Mortgage amount and may not exceed 10% of the rate locked Mortgage amount.

If Freddie Mac determines an Increased Mortgage Amount is supported, it will issue an Acceptance Letter specifying the Mortgage Financial Terms for the Mortgage, which will include a revised Confirmation Sheet reflecting the following:

- The Increased Mortgage Amount
- Corresponding changes to the monthly payment amount and other amounts calculated based on the Mortgage amount, including any buy-up amount
- For any fixed rate Mortgage subject to a prior Index Lock, the interest rate applicable to the Increased Mortgage Amount and the final, blended interest rate applicable to the Mortgage in accordance with the terms of the early rate lock application
- If applicable, requirements triggered because the Increased Mortgage Amount crosses an existing underwriting threshold (e.g., requirements for Mortgages $\geq$ \$25,000,000 or $\geq$ \$100,000,000)
- Any other nonmaterial modifications to the terms of the early rate lock application submitted by the Seller

None of the changes described above will be deemed to be a Material Modification.

By submitting the early rate lock application, the Seller agrees to be bound by any nonmaterial modifications to the early rate lock application set forth in the Acceptance Letter. The Seller must acknowledge and upload the Acceptance Letter, including the revised Confirmation Sheet and its agreement to service the Mortgage, to DMS in accordance with the terms specified in the Acceptance Letter. Failure to sign and upload to DMS the Acceptance Letter, including the revised Confirmation Sheet and its agreement to service the Mortgage will constitute a Nondelivery and Freddie Mac, at its option, will collect the Breakage Fee from the Seller. The Breakage Fee will be calculated based on the rate locked Mortgage amount.

Upon Seller's execution and delivery of the revised Confirmation Sheet, the rate locked Mortgage amount will be deemed to be the Increased Mortgage Amount for all purposes.

27.21 Reserved (04/15/21)

27.22 Reserved (04/15/21)

27.23 Final Delivery and purchase requirements (04/15/21)

After final delivery of a Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date.



See Chapter 32 and the Final Delivery Tables of Contents and the Final Delivery Instructions at <https://mf.freddiemac.com/lenders/purchase/> for information on final delivery and purchase.

27.24 Nondelivery (04/15/21)

27.24(a) General (04/15/21)	27.24(c) Remedies for Nondelivery (04/15/21)
27.24(b) Early rate lock delivery – additional Nondelivery events (04/15/21)	

a. General (04/15/21)

Freddie Mac may, in its discretion, treat any of the following situations as a Nondelivery:

1. The Seller fails to return the Confirmation Sheet to Freddie Mac via DMS within the time required
2. The Mortgage or Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents
3. After the Letter of Commitment or the early rate lock application becomes a Purchase Contract (as described in Section 27.1), it is determined that 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 Borrower Principal or the Guarantor
 - The condition of the Property, including damage to the Property due to fire or other casualty
4. The Seller fails to deliver the Final Delivery Package to Freddie Mac at or before noon Eastern time on the Mandatory Delivery Date, including notifying Multifamily Purchase in accordance with Section 32.1(c)
5. Any other situation described in this Guide or in the Purchase Contract as a Nondelivery

b. Early rate lock delivery – additional Nondelivery events (04/15/21)

In addition to the events set forth in (a) above, for the early rate lock delivery option, Freddie Mac may, in its discretion, treat any of the following as a Nondelivery:

1. The Seller fails to return the executed early rate lock application, the Acceptance Letter or Modification Letter, as applicable (including its agreement to service the Mortgage), or the Confirmation Sheet to Freddie Mac via DMS within the time required
2. The Seller does not collect and hold the good faith deposit in the amount required
3. The Seller fails to submit proof acceptable to Freddie Mac that all or any portion of the good faith deposit has been deposited or is being held in accordance with Section 27.10



4. The Seller fails to deliver the complete full underwriting package within the time specified in the early rate lock application

c. Remedies for Nondelivery (04/15/21)

If there is a Nondelivery, Freddie Mac will be entitled to take whatever actions it deems appropriate to protect its interests and enforce its rights, including:

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Charging the Seller the Breakage Fee as liquidated damages
- Taking any other action set forth in Chapter 4

27.25 Reserved (04/15/21)

27.26 Late delivery (04/15/21)

27.26(a) General (04/15/21)	27.26(b) Remedies (04/15/21)

a. General (04/15/21)

Freddie Mac may, in its sole discretion, treat either of the following situations as a late delivery of a Mortgage rather than a Nondelivery:

1. The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents
2. The Seller fails to deliver the Final Delivery Package to Freddie Mac at or before noon Eastern time on the Mandatory Delivery Date (inclusive of notifying Multifamily Purchase in accordance with Section 32.1(c))

b. Remedies (04/15/21)

If Freddie Mac determines that there has been a late delivery of a Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including:

1. Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
2. Charging the Seller a late delivery extension fee
3. Taking any other action set forth in Chapter 4

27.27 Payment of the Breakage Fee (06/17/21)

27.27(a) Payable on demand (06/17/21)	27.27(d) Discharge of the Seller's obligation to pay the Breakage Fee (06/17/21)
27.27(b) Good faith deposit (04/15/21)	27.27(e) Exceptions to discharge (06/17/21)

27.27(c) [Seller's Assignment \(04/15/21\)](#)27.27(f) [Seller's liability for Breakage Fee \(04/15/21\)](#)**a. Payable on demand (06/17/21)**

If the Seller is liable for the Breakage Fee under the terms of the Guide or the provisions of the Commitment, the early rate lock application or any Acceptance Letter or Modification Letter, as applicable, the Seller must pay to Freddie Mac on demand the Breakage Fee.

Freddie Mac's collection of the Breakage Fee will not prevent it from exercising any other remedies set forth in the Guide.

b. Good faith deposit (04/15/21)

Upon Freddie Mac's demand for the Breakage Fee, the Seller must deliver to Freddie Mac any good faith deposit collected by the Seller.

Except as set forth in this Section 27.27, the amount of the good faith deposit paid to Freddie Mac will be credited towards the Seller's obligation to pay the Breakage Fee.

If the Breakage Fee exceeds the amount of the good faith deposit paid to Freddie Mac, then the Seller must pay to Freddie Mac the balance of the Breakage Fee.

c. Seller's Assignment (04/15/21)

If Freddie Mac is entitled to collect the Breakage Fee, the Seller must, upon notice from Freddie Mac, immediately assign to Freddie Mac all of its rights, title and interest under the Seller's commitment or early rate lock application (or the equivalent) with the Borrower to the Breakage Fee, including the Seller's rights and remedies against the Borrower and Breakage Obligor to collect the Breakage Fee ("Seller's Assignment").

d. Discharge of the Seller's obligation to pay the Breakage Fee (06/17/21)

Except as set forth in Section 27.27(e), Freddie Mac will discharge the Seller's obligation to pay the Breakage Fee to Freddie Mac if the Seller satisfies each of the following requirements:

1. It completes the Seller's Assignment
2. It has complied with the provisions under the Letter of Commitment or the early rate lock application, as applicable, requiring the Seller to include provisions relating to breakage set forth in the Letter of Commitment or early rate lock application and to cause a Breakage Obligor to be liable for the Breakage Fee
3. It pays to Freddie Mac any good faith deposit collected by the Seller
4. It cooperates with Freddie Mac in all aspects of the collection of the Breakage Fee from the Borrower and Breakage Obligor

**e. Exceptions to discharge (06/17/21)**

The Seller will not be entitled to the discharge of its obligation to pay the Breakage Fee described in Section 27.27(d) if any of the following occurs:

1. The Seller has not complied with its obligations under the Letter of Commitment or early rate lock application to collect, hold, and deliver to Freddie Mac evidence of receipt of the good faith deposit, and such failure is not the result of the Borrower's actions
2. The Seller has not delivered to Freddie Mac an executed Confirmation Sheet or an executed early rate lock application, Acceptance Letter, or Modification Letter, as applicable, and such failure is not the result of the Borrower's actions
3. The Seller has not delivered to Freddie Mac a complete and correct full underwriting package in a timely manner, and such failure is not the result of the Borrower's actions
4. The Seller has not delivered the Final Delivery Package to Freddie Mac by the Mandatory Delivery Date and such failure is not the result of the Borrower's failure or inability to consummate the loan transaction as required by and in accordance with the terms and conditions of the Seller's commitment or early rate lock application (or the equivalent) with the Borrower
5. The Seller delivers the Final Delivery Package to Freddie Mac in a form that does not satisfy Freddie Mac's requirements as set forth in the Purchase and Servicing Documents and such failure is not the result of the Borrower's failure to make corrections to the delivery requested by the Seller in order to conform the delivery to the terms of the Seller's commitment or early rate lock application (or the equivalent) with the Borrower

If any of the conditions set forth above occur, Freddie Mac will not accept the Seller's Assignment, will not credit the good faith deposit towards the payment of the Breakage Fee, and will collect the Breakage Fee directly from the Seller.

f. Seller's liability for Breakage Fee (04/15/21)

Notwithstanding the discharge of the Seller's obligation to pay the Breakage Fee described in Section 27.27(d), if the Borrower or any Breakage Obligor successfully asserts any claim or defense to its obligation to pay the Breakage Fee that arises out of transactions or relationships between the Borrower and/or Breakage Obligor and the Seller, including claims or defenses for fraud or set-off, then the Seller will owe Freddie Mac any resulting reduction in, or set off against, any amounts payable by the Borrower and/or Breakage Obligor.

If the Seller's commitment or early rate lock application (or the equivalent) with the Borrower does not contain the required breakage provisions, including the correct formula for the Breakage Fee, and as a result Freddie Mac is unable to collect the full amount of the Breakage Fee, the Seller will owe Freddie Mac any resulting difference.

If Freddie Mac waives any portion of the Breakage Fee then due, then the Seller will not be obligated to pay the amount waived.



27.28 Right to demand delivery of good faith deposit letter of credit or demand note (04/15/21)

If the Seller is holding a letter of credit as all or part of the good faith deposit, and the Seller fails to provide evidence to Freddie Mac of a renewal or replacement of the letter of credit at least 30 days prior to the expiration of the letter of credit, then Freddie Mac may demand the immediate assignment and delivery of the letter of credit to Freddie Mac.

If the Seller is holding a letter of credit or demand note as all or part of the good faith deposit and Freddie Mac is entitled to a late delivery extension fee or the Breakage Fee, then Freddie Mac may demand immediate assignment and delivery of the letter of credit or demand note.

If Freddie Mac demands assignment and delivery of either the letter of credit or demand note in accordance with this Section 27.28, then the Seller must deliver the letter of credit or demand note in accordance with the instructions of Freddie Mac by hand or overnight courier, for delivery on the Business Day following demand by Freddie Mac, together with the Letter of Credit Certification form and opinion required by the Guide with respect to a letter of credit. Following its receipt of the letter of credit or demand note, Freddie Mac may draw upon all or a part of the letter of credit or demand payment under the demand note, as applicable, at any time and without notice to the Seller.

27.29 General terms (~~02/17/22~~08/25/26)

27.29(a) Assignment (04/15/21)	27.29(h) Copies and originals (04/15/21)
27.29(b) Assignment of documents (04/15/21)	27.29(i) Survival (04/15/21)
27.29(c) Remedies (04/15/21)	27.29(j) “Lender’s” consent / “Lender’s” requirements (04/15/21)
27.29(d) Conflicts with the Guide (04/15/21)	27.29(k) Governing law (04/15/21)
27.29(e) Exclusivity (04/15/21)	27.29(l) Form of documents (08/25/26)
27.29(f) Modifications (04/15/21)	27.29(m) Incorporation of exhibits (04/15/21)
27.29(g) Merger (04/15/21)	27.29(n) Securitization disclosure (04/15/21)

The following terms are incorporated into each Freddie Mac Letter of Commitment or early rate lock application, including any applicable Acceptance Letter or Modification Letter.

a. Assignment (04/15/21)

The Seller will not have the right to assign or otherwise transfer the early rate lock application or Purchase Contract resulting from the early rate lock application or any Letter of Commitment without the prior written consent of Freddie Mac, which consent may be granted or withheld in Freddie Mac’s sole discretion.

Freddie Mac will have the right to assign or otherwise transfer its rights in any Letter of Commitment, early rate lock application or any Purchase Contract resulting from any Letter of Commitment or early rate lock application to any affiliate or subsidiary of Freddie Mac without the consent of the Seller. After such an assignment, for the purpose of the applicable Mortgage(s), all references to Freddie Mac in such Letter of Commitment, early rate lock application, Purchase Contract or in the Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the assignment has been made.

**b. Assignment of documents (04/15/21)**

At final delivery, the Seller must include an assignment to Freddie Mac of any and all of its rights, title and interest in each document required to be executed by the Borrower under the Letter of Commitment or early rate lock application.

c. Remedies (04/15/21)

If the Seller breaches any provisions or conditions of the Letter of Commitment or early rate lock application, in addition to any rights and remedies specified in the Letter of Commitment or early rate lock application, Freddie Mac will have all rights and remedies specified in the Guide.

d. Conflicts with the Guide (04/15/21)

If any provisions set forth in the Letter of Commitment or early rate lock application are inconsistent with any provisions set forth in the Guide, the provisions of the Letter of Commitment or early rate lock application will govern. If the Letter of Commitment or early rate lock application is silent with respect to any subject covered by provisions set forth in the Guide, the provisions in the Guide will govern.

e. Exclusivity (04/15/21)

The terms and provisions of the Letter of Commitment or early rate lock application are intended for the sole and exclusive benefit of Freddie Mac and the Seller and are not for the benefit of any other party, including the Borrower. Each condition to Freddie Mac's obligation to purchase the Mortgage is for the exclusive benefit of Freddie Mac and may be waived in writing by Freddie Mac in whole or in part in Freddie Mac's discretion.

f. Modifications (04/15/21)

The provisions of the Letter of Commitment or early rate lock application may not be modified or in any way changed by implication or subsequent conduct, correspondence or otherwise, unless such waiver, modification or change is expressly stated as such and is specifically agreed to in writing by Freddie Mac and the Seller.

g. Merger (04/15/21)

No statements, agreements or representations, oral or written, which may have been made to the Seller or to any employee or agent of the Seller, by any employee, representative or agent acting on Freddie Mac's behalf, with respect to the Mortgage or otherwise, will be of any force or effect except to the extent stated in the Letter of Commitment or early rate lock application, and all prior agreements and representations made with respect to the Mortgage are merged into the Letter of Commitment or early rate lock application.

h. Copies and originals (04/15/21)

Copies of the Letter of Commitment or early rate lock application with signature pages uploaded to DMS will be binding and effective as to each party and may be used in lieu of an original Letter of Commitment or early rate lock application and in lieu of an original signature.



i. Survival (04/15/21)

The provisions and conditions of the Letter of Commitment or early rate lock application will survive final delivery of the Mortgage.

j. “Lender’s” consent/“Lender’s” requirements (04/15/21)

Certain provisions of the Letter of Commitment or early rate lock application may refer to matters which must be “acceptable to Lender” or “approved by Lender” or “submitted to Lender for its review and approval,” or comply with “all requirements of Lender” or words of similar meaning. The Seller acknowledges that as between the Seller and Freddie Mac and as a condition to Freddie Mac’s obligation to purchase the Mortgage, all such matters must be acceptable to or approved by Freddie Mac, in Freddie Mac’s discretion, prior to the Origination Date, and as to the Seller, Lender’s requirements shall mean all Freddie Mac’s requirements.

k. Governing law (04/15/21)

The Letter of Commitment or early rate lock application will be governed by the laws of the Commonwealth of Virginia.

l. Form of documents (04/15/2108/25/26)

~~The Seller must originate the Mortgage using the applicable Freddie Mac Multifamily Loan Documents available at <https://mf.freddiemac.com/lenders/legal/>:~~

~~For non-SBL Mortgages, the~~The Seller may use any version of the Multifamily Loan Documents that have been included on the Currently Acceptable Multifamily Loan Documents list at <https://mf.freddiemac.com/lenders/legal/> during the period between the date of the Letter of Commitment and the Origination Date, or the date that the Seller executed the early rate lock application and the Origination Date.

- ~~• For SBL Mortgages, the Seller may use any version of the Multifamily Loan Documents that have been included on the Currently Acceptable Multifamily Loan Documents SBL list at <https://mf.freddiemac.com/lenders/legal/> during the period between the date of the Letter of Commitment and the Origination Date~~

m. Incorporation of exhibits (04/15/21)

Any exhibits or schedules attached to the Letter of Commitment or early rate lock application are incorporated into the Letter of Commitment or early rate lock application.

n. Securitization disclosure (04/15/21)

The Seller/Servicer acknowledges, as originator of the Mortgage, that if it contributes 20 percent or more of the Mortgages in a Securitization, or if the Seller/Servicer will service 20 percent or more of the Mortgages in a Securitization, then, at the request of Freddie Mac, the Seller/Servicer will provide all the following items in a form customary and consistent with then-current market practices:

1. **Information to be included in the Securitization offering documents** with respect to the Seller/Servicer in its capacity as originator of the Mortgages and, if applicable, in its



capacity as primary servicer or sub-servicer of the Mortgages in the Securitization, including a description of the sub-servicing agreement (“Seller/Servicer’s Disclosure Information”)

2. **An indemnification in form and substance satisfactory to Freddie Mac** with respect to the Seller/Servicer’s Disclosure Information for the benefit of Freddie Mac, Issuer Person, Issuer Group and Underwriter Group for the applicable Securitization. Issue Person, Issuer Group and Underwriting Group will have the meanings given to them in the Loan Agreement.
3. **A letter of counsel** (often referred to as a 10b-5 Negative Assurances Letter) addressing whether the Seller/Servicer’s Disclosure Information contains an untrue statement of any material fact or the Seller/Servicer’s Disclosure Information omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or other such language acceptable to Freddie Mac

If the Seller/Servicer, as originator of the Mortgage, contributes less than 20 percent of the Mortgages to a Securitization or if the Seller/Servicer will service less than 20 percent of the Mortgages in a Securitization, then the Seller’s Disclosure Information, indemnification and letter of counsel, as applicable, may not be required.

27.30 Explanation of terms and additional requirements (08/17/23)

The following explanation of terms and additional requirements are incorporated into each Freddie Mac Letter of Commitment and early rate lock application:

27.30(a) Maximum Mortgage amount (04/15/21)	27.30(d) Operational repairs (04/15/21)
27.30(b) Floating-Rate Mortgage (04/15/21)	27.30(e) O&M Programs (08/17/23)
27.30(c) Defeasance Mortgage and yield maintenance period (04/15/21)	27.30(f) Interest rate cap (04/15/21)

a. Maximum Mortgage amount (04/15/21)

For a fixed rate Mortgage, the maximum Mortgage amount will be based on a maximum Benchmark U.S. Treasury security set forth in the Letter of Commitment or early rate lock application. The actual Mortgage amount will be calculated at Rate Lock and will be rounded down to the nearest \$1,000 increment.

b. Floating-Rate Mortgage (04/15/21)

For a Floating-Rate Mortgage, the interest rate for an adjustment period will equal the Index Rate for the interest adjustment period plus the margin. The margin will remain fixed during the term of the Mortgage.

c. Defeasance Mortgage and Yield Maintenance Period (04/15/21)

For a Mortgage which prohibits prepaying the Mortgage but allows the Borrower to defease the Mortgage, the Yield Maintenance Period set forth in the Letter of Commitment or early rate lock application will be applicable only until the date of Securitization if securitization occurs



before the “Cut-off Date” as specified in the Note (typically one year after the Origination Date).

d. Operational repairs (04/15/21)

If there are Operational Repairs, the Seller/Servicer must deliver the Repair Letter to the Borrower on or before the Origination Date.

e. O&M Programs (08/17/23)

Each O&M Program required by the Letter of Commitment or early rate lock application must comply with all requirements set forth in the environmental report prepared for the Mortgage and with all requirements in the Guide.

- If requested, a copy of each O&M Program, reflecting that it is the O&M Program for the Property, must be submitted to Freddie Mac
- Unless otherwise set forth in the Letter of Commitment or early rate lock application, each O&M Program must provide that it will be implemented within no more than 60 days after the Origination Date of the Mortgage
- If the Borrower previously established an O&M Program in connection with a Senior Mortgage then the same O&M Program must remain in effect

f. Interest rate cap (04/15/21)

If a third-party interest rate cap is required then the cap provider, agreement and term must be acceptable to Freddie Mac. Cap payments must be made to a trust account of the Seller as the Servicer for Freddie Mac unless Freddie Mac directs otherwise.

Multifamily Seller/Service Guide

Chapter 29

Title, Description, Survey, UCC Searches and Opinions



Title, Description, Survey, UCC Searches and Opinions	
29.1 Title insurance policy requirements; escrow and settlement requirements (08/25/26)	29.4 Survey requirements and encroachments and violations noted on the survey (08/25/26)
29.2 Title exceptions (08/25/26)	29.5 Legal opinions (08/25/26)
29.3 Uniform Commercial Code search requirements (08/25/26)	



29.1 Title insurance policy requirements; escrow and settlement requirements (~~12/16~~08/25/26)

29.1(a) Maximum single risk amount (08/15/24)	29.1(f) Insured (04/22/25)
29.1(b) Reinsurance and coinsurance (08/25/26)	29.1(g) Legal description (04/22/25)
29.1(c) Selection of the Title Company (04/22/25)	29.1(h) Endorsements (08/25/26)
29.1(d) Escrow and Funding requirements (12/16/25)	29.1(i) Insured closing protection letter (12/16/25)
29.1(e) Amount of protection (08/17/23)	

This chapter details Freddie Mac's Title Policy requirements for all Mortgages, including ~~SBL and TEL~~ Mortgages. Unless indicated otherwise in the applicable section or subsection, references in this chapter to "~~Mortgage~~" refer to ~~non-SBL Mortgages, SBL Mortgages, and TELs, and~~ references to "counsel" refer to [Single Counsel for TEL Mortgages and Seller/Service's](#) counsel for ~~non-SBL all other~~ Mortgages ~~and Single Counsel for SBL Mortgages and TELs~~.

Each Mortgage purchased by Freddie Mac must be covered by a Title Policy. The final Title Policy delivered to Freddie Mac must be accurate and complete and must reflect any additional requirements that may be imposed by Freddie Mac for a particular Mortgage. The Title Policy must be underwritten by a Title Insurance Underwriter.

It is the responsibility of the Seller/Service and its counsel to obtain and review in detail the title commitment, documents evidencing or creating each exception to title and the Title Policy. It is also their responsibility to bring to Freddie Mac's immediate attention any issue that could result in a material adverse effect on the Mortgage or the use or marketability of the Property or could create potential safety or environmental issues.

a. [Maximum single risk amount \(08/15/24\)](#)

The maximum single risk amount (the risk in connection with any one Mortgage) assumed by one Title Insurance Underwriter may not be more than 25 percent of such Title Insurance Underwriters' surplus to policyholders. Policies for amounts in excess of the maximum single risk amount may be acceptable if any excess amount is covered by reinsurance by another Title Insurance Underwriter meeting the requirements of this chapter.

b. [Reinsurance and coinsurance \(~~04/22~~08/25/26\)](#)

• **Reinsurance**

If the single risk amount exceeds 25 percent of the Title Insurance Underwriter's surplus to policyholders, the excess amount may be covered by reinsurance meeting all of the following requirements:

- The excess amount may not exceed 25 percent of the reinsuring company's surplus to policyholders. Tertiary insurance will not be permitted.
- The reinsurer must be a Title Insurance Underwriter.



- The reinsurance must be provided by the issuance of the most current form of American Land Title Association (ALTA) Facultative Reinsurance Agreement.
- Pro forma documentation for all reinsured transactions must be submitted to Freddie Mac for review and approval prior to the Origination Date.

Any Title Policy that is reinsured at the option of the Title Insurance Underwriter must meet all of the requirements of this subsection. ~~Freddie Mac does not expect that any single SBL Mortgage or pool of SBL Mortgages \$40 million or less will require reinsurance. For the financing of a pool of SBL Mortgages in excess of \$40 million, reinsurance for such pool is subject to the provisions of Section 29.1(a) and (b).~~

- **Coinurance**

Usually, Freddie Mac will not accept coinurance (multiple Title Insurance Policies issued by multiple Title Insurance Underwriters for the same transaction). Freddie Mac will consider allowing coinurance only if the Title Insurance Underwriters and Title Policies each meet the requirements of this chapter and the use of coinurance is approved in writing by Freddie Mac prior to Rate Lock. Prior to the Origination Date, the Seller/Servicer must submit to Freddie Mac for its review and approval the Title Policies for any Mortgage that will be coinsured. ~~Freddie Mac does not expect that any single SBL Mortgage or pool of SBL Mortgages \$40 million or less will require coinurance. For the financing of a pool of SBL Mortgages in excess of \$40 million, coinurance for such pool is subject to the provisions of Section 29.1(a) and (b).~~

c. Selection of the Title Company (04/22/25)

1. The Seller/Servicer's selection or acceptance of any Title Company must be based solely on considerations typically used by prudent institutional lenders originating or purchasing Mortgages in the jurisdiction where the Property is located, as permitted by applicable law, and acting in the best interests of Freddie Mac. The Seller/Servicer must not base this selection on receipt of anything of value or other consideration by the Seller/Servicer or its employees, officers, or directors paid by or on behalf of a Title Company.
2. As provided in Section 2.19, the Seller/Servicer must approve, evaluate and monitor Title Companies and any other third party to whom functions relating to a Mortgage or REO are outsourced or assigned (e.g., the fiscal agent for a TEL Mortgage), including consulting the [Multifamily Restricted Vendor List](#).

Freddie Mac reserves the right to: (i) refuse to accept Mortgages for purchase, or (ii) approve the assumption of a Mortgage, in each case involving any specific Title Company on the [Multifamily Restricted Vendor List](#). If a Title Company appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Title Company until notified otherwise by Freddie Mac. The decision to place a Title Company on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

With respect to Title Companies, the [Multifamily Restricted Vendor List](#) is made available to Seller/Servicers for the sole purpose of ensuring that an unacceptable Title Company does not perform services in connection with Multifamily Mortgage transactions and will constitute "Confidential Information" as defined in Section 2.8. Notwithstanding the



Confidential Information classification, when a Borrower has engaged a Title Company on the Multifamily Restricted Vendor List in connection with a Mortgage transaction, the Seller/Servicer is permitted to advise the Borrower and Seller/Servicer's counsel or Single Counsel engaged for that Mortgage transaction that Freddie Mac will require engagement with a different Title Company. Parties are advised of their placement on the Multifamily Restricted Vendor List.

3. Freddie Mac also reserves the right to subject Freddie Mac's acceptance of the engagement of any Title Company to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac's sole discretion. When applicable, Freddie Mac is identifying these Title Companies as Third-Party Vendors on the Vendors With Conditions List, which is attached as a schedule to the [Multifamily Restricted Vendor List](#). These Title Companies may continue to be engaged by Borrowers or Seller/Servicers but will be subject to the additional conditions provided in the schedule to the [Multifamily Restricted Vendor List](#).
4. If the Seller/Servicer, for cause, discontinues the use of a Title Company in connection with a Freddie Mac transaction within the past 12 months and such Title Company is not identified on the [Multifamily Restricted Vendor List](#), the Seller/Servicer must send written notification promptly to Freddie Mac, to the attention of [Freddie Mac Legal MF@freddiemac.com](mailto:Freddie_Mac_Legal_MF@freddiemac.com).

d. Escrow and Funding requirements (12/16/25)

1. Effective for any Mortgage origination transaction that is an acquisition which was taken under Seller Application submitted on or after August 15, 2024, and effective for all Mortgage origination transactions (including acquisitions) under Seller Applications submitted on or after October 31, 2025, the Title Insurance Underwriter, its affiliate under identical ownership, or its wholly-owned subsidiary must directly perform all Funding Functions for both the Mortgage origination transaction and, if applicable, the acquisition of the Property. The settlement statement must be delivered to the Seller/Servicer or the Seller/Servicer's counsel directly by the Title Insurance Underwriter or such affiliate or subsidiary. (See Section 32.3(c) for additional settlement statement requirements.) Either the Title Insurance Underwriter or Title Agent may perform Escrow Functions.

If the law of the jurisdiction in which the Property is located prohibits the use of anyone other than a licensed attorney for Funding Functions, and the Seller/Servicer or its counsel has confirmed that the Title Insurance Underwriter or its wholly-owned subsidiary or affiliate under identical ownership does not have a licensed attorney on staff in such jurisdiction who can fulfill this requirement, the Seller/Servicer's counsel must notify the applicable Freddie Mac transactional attorney on or prior to the Seller/Servicer's submission of the full underwriting package and include an analysis of the issue in the Legal Issues Analysis.

Notwithstanding the foregoing, for TEL Mortgages, the fiscal agent may perform certain escrow and settlement functions including the receipt and disbursement of TEL proceeds as described in the funding loan agreement.

2. For purposes of the requirements described in this chapter, and notwithstanding any identification of the Mortgage origination transaction in the Mortgage commitment or otherwise, a Mortgage origination transaction will be deemed to be an acquisition if the



Property (A) is acquired by the Borrower effective as of the Origination Date, or (B) was acquired by the Borrower or an affiliate of the Borrower within a thirty (30) day period prior to the Origination Date.

3. For any Mortgage origination transaction that is not an acquisition which is taken under Seller Application prior to October 31, 2025, the Title Insurance Underwriter may also perform Funding Functions but is not required to do so.
4. For purposes of clarification and without limitation of any of its requirements, this Section 29.1(d) will apply to the origination of a Supplemental Mortgage in connection with any acquisition of the related Property and the assumption of the related senior Mortgage within the time frame described in Section 29.1(d)(2).

e. Amount of protection (08/17/23)

The Title Policy must insure the mortgagee for an amount no less than the original principal balance of the insured Mortgage.

f. Insured (04/22/25)

For all Mortgages other than a TEL Mortgage, the Title Policy must name as the insured either:

- Freddie Mac, its successors or assigns, or
- Seller/Servicer and/or Freddie Mac, its successors or assigns, as their interests may appear

For a TEL Mortgage, the Title Policy must name as the insured:

- The governmental agency and/or fiscal agent, their successors and/or assigns, as their interests may appear

g. Legal description (04/22/25)

The legal description in the Title Policy must conform to the legal description contained in the survey, security instrument, UCC financing statement, lease, and all other documents pertaining to the Mortgage and the Property. The legal description must include all appurtenant easements.

h. Endorsements (08/15/2425/26)

Each endorsement required pursuant to the [Title Policy and Endorsement Requirements](#) must:

- Be either attached to or sufficiently incorporated in the Title Policy.
- Be on the specific form of the endorsement identified in the Title Insurance Policy Certification as defined in Section 29.2(c).
- Include the number of the Title Policy.



- Be dated as of the date of the Title Policy, if dated.
- If required, be signed ~~electronically~~ by the Title Company. A PDF signature or a signature that is electronically produced as part of the Title Policy or the endorsement is acceptable.

If affirmative coverage in lieu of an endorsement is acceptable as indicated in the [Title Policy and Endorsement Requirements](#), then the affirmative coverage language in the Title Policy must be equivalent to the affirmative coverage language described in the Title Policy Requirements.

i. Insured closing protection letter (12/16/25)

If either (1) the recordation of the documents is being handled by a Title Company other than the Title Insurance Underwriter, or (2) the Funding Functions in connection with the origination of the Mortgage is being handled by a Title Company other than the Title Insurance Underwriter (according to the Guide or other written agreement of Freddie Mac that allows this way of handling the Funding Functions), then if available in the applicable jurisdiction, the Seller/Servicer must also obtain and provide an insured closing protection letter addressed to Freddie Mac, or to the Seller/Servicer and its successors and assigns, that provides coverage for any loss that arises out of (i) the failure of the Title Company to comply with the Seller/Servicer's written closing instructions, or (ii) fraud or dishonesty in handling the funds or documents in connection with the origination of the Mortgage. For TEL Mortgages, an insured closing protection letter is not required on the basis that the fiscal agent is handling the escrow and disbursement of TEL proceeds in accordance with the funding loan agreement.

29.2 Title exceptions (04/2208/25/26)

29.2(a) Approval of title exceptions (08/25/26)	29.2(e) Analysis of title exceptions for assumptions (04/22/25)
29.2(b) Submission of analysis (08/25/26)	29.2(f) Reserved (04/22/25)
29.2(c) Delivery of a Title Insurance Policy Certification and written analysis approval (04/22/25)	29.2(g) Exception for Private Transfer Fee Covenant (08/25/26)
29.2(d) Analysis of title exceptions for Supplemental Mortgages (04/18/24)	29.2(h) Exception for condominium/cooperative conversion restriction (08/25/26)

a. [Approval of title exceptions \(08/25/26\)](#)

The Seller/Servicer or its counsel must obtain, read, and analyze each document that evidences or creates any exception to the title insurance coverage to determine whether the exception would be acceptable to a prudent institutional lender.

If the Seller/Servicer or its counsel determines that any of the following categories applies with respect to an exception, such exception requires written analysis in the form and manner described in Section 29.2(b) and, whenever required pursuant to Section 29.2(b), must be expressly approved by Freddie Mac:



- Title Exception Category 1: Any party's exercise of its rights under the exception could have a foreseeable adverse effect on the Borrower's intended use of the Property, including any interference with the present or proposed improvements on the Property or with the operation of the Property.
- Title Exception Category 2: Any party's exercise of its rights under the exception could impair lender's ability to enforce its rights under the Mortgage or could adversely affect the lien priority of the Mortgage.
- Title Exception Category 3: The exception would not be acceptable to a reasonable, prudent institutional lender in the area where the Property is located.
- Title Exception Category 4: The exception results in an exception to the Seller/Service Representations and Warranties ~~or the Seller/Service Representations and Warranties – SBL, as applicable.~~
- Title Exception Category 5: The exception could create potential safety or environmental issues.
- Title Exception Category 6: The exception could result in a material adverse effect on the Mortgage, the security interest in the collateral described by the Mortgage, or the use, value, operation or marketability of the Property or could impair the lien of or the lien priority of the Mortgage.
- Title Exception Category 7: The exception contains a purchase option, right of first refusal, right of first offer, right of reverter, or requires consent to a transfer of all or any portion of the Property (including in connection with foreclosure or deed-in-lieu of foreclosure).
- Title Exception Category 8: The Guide or Legal Issues Analysis ~~(for non-SBL Mortgages)~~ separately requires written analysis or approval with respect to such exception (such as, by way of example and not limitation, ground leases, regulatory agreements or condominium declarations). For ground leases, see also Section 30.8.

a.b. Submission of analysis (04/2208/25/26)

If the written analysis required pursuant to Section 29.2(a) was not included in the Legal Issues Analysis ~~(for non-SBL Mortgages)~~ and/or any other required legal analysis required by the Guide submitted prior to the effective date of the Commitment, then the analysis must be submitted for approval no later than two business days prior to the anticipated Origination Date.

All requests for approval of title exceptions must be in writing and be submitted to the applicable Multifamily Attorney and Legal Analyst by email and include the anticipated closing date and pool name, if applicable, in the email subject line, and be uploaded to DMS. The request must be in the form of:

Non-SBL Mortgages



- An amended Legal Issues Analysis or other analysis previously submitted to the applicable Multifamily Attorney; and

• If applicable, such other legal analysis required by the Guide.

Or

SBL Mortgages

- ~~A legal analysis required by the Guide or the applicable Multifamily Attorney.~~
- ~~The analysis must describe which category or categories in Section 29.2(a) applies to such exception necessitating written analysis and must include the Seller/Servicer or its counsel's recommendation (i) for mitigating any risk evidenced by the exception or explanation of why mitigation is not necessary or possible and (ii) as to the acceptability of the exception. The recommendation must expressly state why Freddie Mac should consider accepting this exception. The analysis must provide sufficient detail to enable Freddie Mac to make any necessary decision regarding the acceptability of an exception without having to read the document evidencing or creating the exception.~~

Submission to Freddie Mac of the underlying document creating the exception does not relieve the Seller/Servicer or its counsel of the requirement to submit the written analysis of the exception. However, Freddie Mac reserves the right to require the Seller/Servicer or its counsel to submit the exception document(s).

b.c. Delivery of a Title Insurance Policy Certification and written analysis approval (04/22/25)

At final delivery of the Mortgage, the Seller/Servicer's counsel must deliver a [Title Insurance Policy Certification](#) (the "Title Insurance Policy Certification"). Copies of all emails with express approval of any exceptions for which the Seller/Servicer or its counsel submitted a request for approval must be attached to the Title Insurance Policy Certification, along with the final Title Policy and all required endorsements.

c.d. Analysis of title exceptions for Supplemental Mortgages (04/18/24)

For any Supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product, the Seller/Servicer or its counsel must provide a written analysis only for:

- Any title exception that did not previously appear as an exception to title in the policy insuring the senior Mortgage and falls into one or more categories set forth in Section 29.2(a), or
- Any title exception that previously appeared as an exception to the title in the policy insuring the senior Mortgage but will not be covered by the same endorsement or equivalent coverage.



Therefore, with respect to a Supplemental Mortgage, a written analysis will be required for any exception that appeared as a subordinate item in the policy insuring the senior Mortgage when such exception is not expressly subordinate to the Supplemental Mortgage as well.

d.e. Analysis of title exceptions for ~~Assumptions~~assumptions (04/22/25)

For any ~~assumptions~~assumption, the Seller/Servicer or its counsel must provide the discussion of the exceptions to the Title Policy as required by Section 41.4 or 41SBL.4.

e.f. Reserved (04/22/25)

f.g. Exception for Private Transfer Fee Covenant (04/2208/25/26)

If the Title Policy contains an exception for a Private Transfer Fee Covenant that was created on or after February 8, 2011, the Mortgage is ineligible for purchase by Freddie Mac. See Section 8.14 ~~or 8SBL.14~~.

g.h. Exception for condominium/cooperative conversion restriction (04/2208/25/26)

(i) ~~SBL Mortgages~~

~~Exception for a prohibition against conversion of the Property to a condominium or cooperative structure is acceptable, provided the agreement does not contain any indemnification of the seller of the Property in connection with the conversion or other potential lender liability.~~

~~If the condominium/cooperative conversion restriction does contain an indemnification in connection with the conversion, the Seller/Servicer or Single Counsel must advise Freddie Mac.~~

(ii) ~~Non-SBL Mortgages~~

If the Title Policy contains an exception for a prohibition against or any indemnification in connection with the conversion of the Property to a condominium or cooperative structure, the Seller/Servicer or its counsel must examine the underlying agreement/restriction as provided in Section 8.18(f) to determine that the agreement/restriction meets the requirements set forth in such section.

The Seller/Servicer or its counsel must confirm that all such requirements have been satisfied or that any non-compliant provisions have been identified in the Legal Issues Analysis prior to the effective date of the Commitment.

29.3 Uniform Commercial Code search requirements (04/2208/25/26)

It is the responsibility of the Seller/Servicer to ensure that a First Lien security interest is perfected in (1) all fixtures, (2) all personal property of the Borrower that is located in or on the Property or is used or intended to be used in connection with the Property and (3) any other Uniform Commercial Code (UCC) collateral described in the UCC financing statement (collectively the "UCC collateral").

In order to ensure this First Lien security interest, the Seller/Servicer must perform certain Public Record Searches, including searches of the Uniform Commercial Code records ("UCC search"), all as more specifically described in the [Public Records Search Requirements](#). Each UCC search must include every office where a financing statement would be filed in accordance with the provisions of Revised Article 9 of the UCC.

Prior to the Origination Date, an explanation of any financing statements identified in a UCC search other than the financing statements filed by the current lender that will be released at origination of the Mortgage must be provided to the applicable Multifamily Attorney in ~~either (i) an amended Legal Issues Analysis for non-SBL Mortgages or (ii) a written analysis for SBL Mortgages.~~

The final delivery of the Mortgage must include a [Seller's Counsel's Certification](#) ~~or Single Counsel's Certification – SBL, as applicable,~~ in which counsel certifies that the UCC searches reveal only financing statements that (1) have been or will be terminated in connection with the origination of the Mortgage or (2) have been approved by Freddie Mac.

For a Mortgage secured by a Seniors Housing Project, in addition to the searches required in the [Public Records Search Requirements](#), the Seller must conduct any additional UCC searches required in Section 21.3.

29.4 Survey requirements and encroachments and violations noted on the survey
(~~04/22/08/25/26~~)

~~a. SBL Mortgages (04/22/25)~~

~~A new survey is not required for SBL Mortgages.~~

~~If the Title Policy contains an exception for any itemized survey or plat matters, the Seller/Servicer must deliver an electronic copy of the referenced survey or plat with the recorded exception documents, in accordance with Section 29.2.~~

~~b. Non-SBL Mortgages (04/22/25)~~

~~(i) ALTA/NSPS requirements; survey waivers~~

~~29.4(a) ALTA/NSPS requirements; survey waivers (04/22/25)~~	~~29.4(c) Survey – encroachments and violations (04/22/25)~~
~~29.4(b) Additional Freddie Mac requirements (04/22/25)~~	~~29.4(d) Special survey requirements for MHC Mortgages (04/22/25)~~

~~a. ALTA/NSPS requirements; survey waivers (04/22/25)~~

- For each Mortgage purchased by Freddie Mac, the Seller/Servicer must submit a survey meeting the then-current minimum standard detail requirements for American Land Title Association/National Society of Professional Surveyors, Inc. (ALTA/NSPS) Land Title Surveys. The survey must be made, dated or revised by a licensed civil engineer or registered surveyor not more than 90 days prior to the date of the Note. The surveyor's certification must:



- Be the form of certification required by the most current ALTA/NSPS requirements, except that the Table A items need not be listed in the certification
 - Be for the benefit of the Seller/Service, Freddie Mac and its successors and assigns and the Title Insurance Underwriter issuing the title insurance policy if required by the Title Insurance Underwriter
2. Unless specifically waived under the terms of the Letter of Commitment, a survey is required for every Mortgage purchased by Freddie Mac. (See also the [Waiver of Certain Survey Requirements](#).)

(ii)

a.b. Additional Freddie Mac requirements (04/22/25)

In addition to the items that must be included in an ALTA/NSPS Land Title Survey, the survey must also include the following:

- Substantial visible improvements (in addition to buildings) such as entrance or monument signs, parking structures including carports and garages, swimming pools and other recreational facilities such as clubhouses, basketball and tennis courts
- Indication of access to all public rights of way such as curb cuts, driveways marked, etc.
- Parking areas and type and number of parking spaces. (Parking space striping need not be shown.)
- Any setback requirements applicable to the Property (including those imposed via zoning law or building codes and any documents on record affecting the Property)

b.c. Survey – encroachments and violations (04/22/25)

The Seller/Service or its counsel must analyze all encroachments and violations shown in the survey and submit a written analysis of and receive approval for any encroachment or violation which materially and/or adversely affects the Property's operation, use or value or the security intended to be provided by the Mortgage (examples: income-producing buildings, parking, access ways). The written analysis must include the following:

- A reasonably detailed description of the encroachment and/or violation (e.g., how many feet a building encroaches over an easement)
- Whether there is building law and ordinance coverage for the Property if the encroachment and/or violation impacts a zoning requirement

If the risk posed by any encroachment or violation can be mitigated by an endorsement identified in the [Title Policy and Endorsement Requirements](#) and included in the Title Policy, then the exception does not need to be included in a written analysis. If any such required endorsement is not available or has been modified from the standard required form, then a written analysis of the exception must be submitted.



e.d. Special survey requirements for MHC Mortgages (04/22/25)

In addition to the requirements set forth in this Chapter 29 with respect to surveys, if the Property is an MHC Property, the following requirements are applicable:

- The survey must include the number of Home Sites located on the Property, as well as a description of the parking areas or spaces that are generally available for each Manufactured Home (i.e., the number of off-street parking spaces available for each Manufactured Home should be included on the survey).
- The survey must depict the location of:
 1. The extent and approximate dimensions of any encroachments by Manufactured Homes (including any Borrower-Owned Homes), Home Sites, piers, and foundations. If any of the foregoing do not constitute encroachments, their location does not need to be shown on the survey. Instead, a simple indicating mark may be included.
 2. Private interior access roads or streets and visible utilities. Unless such items constitute encroachments, they may be sketched on to the survey to show their approximate location and can be located by photogrammetric or other approximate methods in lieu of precise field measurements.

29.5 Legal opinions ~~for non-SBL Mortgages (04/22/08/25/26)~~

29.5(a) Legal opinions required (08/25/26)	29.5(d) Non-Consolidation Opinion requirements (04/18/24)
29.5(b) Review and analysis of legal opinions (04/18/24)	29.5(e) Required opinion provisions for Seller Application (08/25/26)
29.5(c) Opinions requiring Freddie Mac review and approval (04/18/24)	

a. Legal opinions required (08/25/26)

The Final Delivery Package must include the following legal opinions addressed to the Seller/Servicer (individually and collectively, the “Opinion Letter”):

- A legal opinion with respect to Borrower and any SPE Equity Owner in the form provided on the Freddie Mac Multifamily website ([the “Borrower Opinion”](#)).
- A legal opinion with respect to any Guarantor in the form provided on the Freddie Mac Multifamily website ([the “Guarantor Opinion”](#)).
- A non-consolidation legal opinion (the “Non-Consolidation Opinion”) for any Mortgage, except for a TEL Mortgage (this exclusion does not include split supplemental TEL Mortgages):
 - With an original principal balance equal to or greater than \$40,000,000;
 - That is a part of a cross-collateralized and cross-defaulted pool of Mortgages that are, when aggregated, \$40,000,000 or greater; or



- If otherwise required by the Letter of Commitment or early rate lock application
- Any other legal opinions required by Freddie Mac under the Guide, in the applicable Letter of Commitment or early rate lock application, or otherwise.

Notwithstanding the foregoing, the enforceability opinions and local law opinions may be omitted from the Borrower Opinion and Guarantor Opinion for a supplemental mortgage originated under the Freddie Mac Multifamily Supplemental Mortgage Product.

b. Review and analysis of legal opinions (04/18/24)

Seller/Servicer's counsel must review and analyze all Opinion Letters to ensure the Opinion Letters conform to Freddie Mac's requirements. Additional guidelines and requirements for the review of opinions are set forth in the Opinion Letter Guidelines and, if applicable, the Requirements for Review of Non-Consolidation Opinions, provided on the Freddie Mac Multifamily [website](#).

All Opinion Letters must contain the following use and reliance provision, without modification:

"This opinion letter is furnished to you solely for your benefit, the benefit of subsequent holders of the Note, and any statistical rating agency that provides a rating on securities backed in part by the Loan, all of which we understand may receive copies of this opinion letter. This opinion letter may not be used, quoted from or relied upon by any other person without our prior written consent; however, you or a subsequent holder of the Note may deliver copies of this opinion letter to (a) independent auditors, accountants, attorneys and other professionals acting on behalf of you or a subsequent holder of the Note, (b) governmental agencies having regulatory authority over you or a subsequent holder of the Note, (c) designated persons pursuant to an order or legal process of any court or governmental agency, and (d) prospective purchasers of the Note."

The counsel rendering the opinions must be acceptable to Freddie Mac or to the Seller/Servicer if Seller/Servicer is authorized to approve the opinion. The Letter of Commitment or the early rate lock application may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require Seller/Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.

c. Opinions requiring Freddie Mac review and approval (04/18/24)

The Seller/Servicer must submit a copy of the following opinions for Freddie Mac's review and approval not less than three business days prior to the scheduled origination date of the Mortgage:

- All Opinion Letters for any Mortgage with an original principal balance equal to or greater than \$100,000,000.
- Any Seniors Housing Mortgage licensure opinion, specifically opinions #27 and #28 from the Borrower Opinion form.



Such opinions must be marked to clearly indicate the additions to and deletions from the appropriate form of Opinion Letter. The Borrower or the Seller/Servicer must pay for any legal fees associated with the review and approval of any such additions to or deletions from the appropriate form of Opinion Letter in connection with the origination of the Mortgage.

The Seller/Servicer's counsel must provide an analysis and recommendation with respect to such opinions (the "Opinion Analysis"). Freddie Mac will not be responsible for any loss, costs or damages incurred by the Seller/Servicer or Borrower as a result of the origination of the Mortgage being delayed due to the failure of the Seller/Servicer to timely deliver to Freddie Mac a draft Opinion Letter and/or the Opinion Analysis.

d. Non-Consolidation Opinion requirements (04/18/24)

Non-Consolidation Opinions must state that if any equity owner or group of affiliated equity owners (or group of family members) who own more than 49% of the equity in Borrower were to become insolvent, neither Borrower, nor its assets and liabilities, would be substantively consolidated with that of the equity owner or group of affiliated equity owners (or group of family members) or with the SPE Equity Owner.

A "should" Non-Consolidation Opinion is not acceptable; all Non-Consolidation Opinions must be "would" opinions.

All Non-Consolidation Opinions must be submitted to Freddie Mac for review and approval prior to origination of the Mortgage as provided in the [Requirements for Review of Non-Consolidation Opinions](#) provided on the Freddie Mac Multifamily website. The Borrower or the Seller/Servicer must pay for any legal fees associated with the review and approval of any Non-Consolidation Opinion required in connection with the origination of a Mortgage.

e. Required opinion provisions for Seller Application (04/2208/25/26)

~~For non-SBL Mortgages, the~~The Seller/Servicer must include, as part of its Seller Application with or loan commitment to the Borrower, the following provision.

Delivery of Opinion Letters to Be Delivered to Freddie Mac

Borrower acknowledges and agrees that as part of the loan closing process it is required to deliver to [Seller/Servicer to Insert Seller/Servicer's Name] certain legal opinion letters in form and substance acceptable to the Federal Home Loan Mortgage Corporation ("Freddie Mac") addressing, among other things, enforceability, due formation, execution and delivery, non-consolidation (under certain circumstances) and such other matters as may be required by Freddie Mac (collectively if more than one, the "Opinion Letter"). In order to properly review any Opinion Letter requiring Freddie Mac's approval Freddie Mac must receive a draft of the Opinion Letter, with analysis and recommendations from [Seller/Servicer to Insert Seller/Servicer's Name], not less than three business days prior to the anticipated consummation of the loan transaction. Accordingly, Borrower acknowledges and agrees to deliver to [Seller/Servicer to Insert Seller/Servicer's Name], not less than ____ business days [Seller/Servicer to Insert Number of Days as Required by Seller/Servicer's Counsel] prior to the anticipated consummation of the loan transaction, a draft Opinion Letter for review. Borrower acknowledges and agrees that [Seller/Servicer to Insert Seller's/Service Name] will not be responsible for reviewing any Opinion Letter received less than ____ Business Days [Seller/Service to Insert Number of Days as



Required by Seller/Service’s Counsel] prior to the anticipated consummation of the loan transaction and that Borrower’s failure to timely deliver such Opinion Letter may result in the consummation of the loan transaction being delayed. Borrower further acknowledges and agrees that neither [Seller/Service to Insert Seller/Service’s Name] nor Freddie Mac will be responsible for any loss, costs or damages incurred by Borrower as a result of the consummation of the loan transaction being delayed due to the failure of Borrower to timely deliver a draft Opinion Letter.

Multifamily Seller/Servicer Guide

Chapter 30

Ground Lease Mortgages



Ground Lease Mortgages	
30.1 General requirements (08/25/26)	30.6 Lessor's Estoppel Certificate (08/25/26)
30.2 Underwriting requirements for ground lease Mortgages (08/25/26)	30.7 Reserve for rents (06/25/20)
30.3 Requirements for all ground lease Mortgages (08/25/26)	30.8 Title insurance for ground lease Mortgages (04/22/25)
30.4 Additional requirements when Ground Lessor will not join in Mortgage (Unsubordinated Ground Lease) (02/27/25)	30.9 Leases with Government Agencies (including Industrial Development Agencies) (09/26/19)
30.5 Amendment to Ground Lease (09/26/19)	

30.1 General requirements (09/08/25/26/49)

In general, Freddie Mac will consider purchasing a multifamily Mortgage secured by a lien on a leasehold estate ("ground lease Mortgage") only if the lease ("ground lease") demising the leasehold estate ("leasehold interest") to the Borrower (including its successors and assigns, unless otherwise noted, the "Ground Lessee") meets the terms and conditions set forth in this chapter.

In addition to the specific terms and conditions set forth in this chapter, Freddie Mac's purchase of a ground lease Mortgage (other than ~~an SBL Mortgage or~~ a TEL secured by a ground lease) is conditioned upon approval by Freddie Mac after review by counsel for Freddie Mac of the Seller's Ground Lease Analysis. Freddie Mac's purchase of ~~an SBL Mortgage or~~ a TEL secured by a ground lease is conditioned upon Single Counsel's approval based on its analysis of the ground lease and determination that the ground lease complies with the requirements of this chapter.

30.2 Underwriting requirements for ground lease Mortgages (02/24/08/25/26)

30.2(a) Copy of ground lease (08/25/26)	30.2(c) Base rent (02/24/26)
30.2(b) Term of ground lease (02/24/26)	30.2(d) Analysis (08/25/26)

a. [Copy of ground lease \(08/25/26\)](#)

- At full underwriting (or at preliminary underwriting for an early rate-lock delivery), the Seller must deliver a copy of the executed ground lease and all existing amendments ~~as follows:~~ to the applicable Freddie Mac Multifamily Regional Office (with a copy to the applicable Multifamily Attorney).
- ~~For a non-SBL ground lease Mortgage, to the Applicable Freddie Mac Multifamily Regional Office (with a copy to the applicable Multifamily Attorney).~~
 - ~~For an SBL ground lease Mortgage, to the Small Balance Loan Team.~~

a.b. [Term of ground lease \(02/24/26\)](#)

- The remaining term of the ground lease, together with any renewal options, must meet the following requirements:
- For a fully amortizing ground lease Mortgage, the remaining ground lease term must extend beyond the maturity date of the ground lease Mortgage by at least 10 years.
 - For a partially amortizing ground lease Mortgage or for one with no amortization, the remaining ground lease term must be:
 - If the Ground Lessor will join in the Mortgage (subordinated ground lease), the longer of: (a) the amortization period of the ground lease Mortgage plus any interest-only period, or (b) 20 years beyond the maturity date of the ground lease Mortgage.
 - If the Ground Lessor will not join in the Mortgage (unsubordinated ground lease), no less than 30 years beyond the maturity date of the Mortgage.



- Renewal options that are at the sole discretion of the landlord under the ground lease (“Ground Lessor”), even if the Ground Lessor is controlled by or under common control with the Borrower, may not be considered part of the ground lease term for purposes of satisfying the ground lease term requirements set forth in this chapter.

b.c. Base Rent (02/24/26)

1. The base rent payable under the ground lease must be a fixed ascertainable sum and the ground lease must not contain any provisions that permit increases, escalations or re-sets in the base rent, other than a sum certain increase at a specified date or time interval.
2. Increases, escalations or re-sets in the base rent based on a reappraisal of the Property are not acceptable.

c.d. Analysis (08/25/26)

For a non-SBL ground lease Mortgage: Seller’s legal counsel must confirm using the Ground Lease Analysis whether or not the ground lease satisfies all applicable requirements therein and in this chapter or will be amended prior to the Origination Date of the Mortgage to comply with all of the requirements.

If the ground lease fails to satisfy any of the applicable requirements and the ground lease will not be amended, then Seller’s legal counsel must provide a legal analysis as part of the Ground Lease Analysis detailing which requirement(s) will not be satisfied and the counsel’s recommendation as to why Freddie Mac should accept the ground lease without it being compliant with the applicable provisions of this chapter.

As part of such recommendation, Seller’s legal counsel must determine that any deviation from the requirements of this chapter satisfies each of the following conditions:

- It does not adversely affect the marketability of the ground lease estate.
- It will not have a foreseeable adverse effect on the Borrower’s intended use or operation of the Property.
- It could not adversely affect Freddie Mac’s ability to enforce its rights or remedies under the ground lease Mortgage.
- It does not deprive Freddie Mac of industry standard leasehold mortgagee protections or, to the extent one or more industry standard leasehold mortgagee protections are not included in the ground lease, the Ground Lease Analysis must describe such deficiency and why such deficiency should be acceptable to a prudent commercial lender, including Freddie Mac, together with any recommendations for potential mitigating provisions to be added to the loan documents, including any additional representations, covenants or recourse provisions.

Submission of the ground lease document alone is not sufficient and does not relieve the Seller of its responsibility to submit the required Ground Lease Analysis (together with any recommendations for any non-compliant matters) prepared by its counsel.



- ~~1. **For an SBL ground lease Mortgage:** Single Counsel must confirm whether the ground lease satisfies all applicable requirements in this chapter. If the ground lease fails to satisfy any of the applicable requirements and the ground lease will not be amended prior to the Origination Date of the Mortgage to comply with all of the requirements, then Single Counsel must determine that any deviation from the requirements of this chapter satisfies each of the following conditions:~~
- ~~• It does not adversely affect the marketability of the ground lease estate.~~
 - ~~• It will not have a foreseeable adverse effect on the Borrower's intended use or operation of the Property.~~
 - ~~• It could not adversely affect Freddie Mac's ability to enforce its rights or remedies under the ground lease Mortgage.~~
 - ~~• It does not deprive Freddie Mac of industry standard leasehold mortgagee protections.~~

30.3 Requirements for all ground lease Mortgages (0608/25/20)26)

30.3(a) Casualty (06/25/20)	30.3(c) Shared Appreciation Rights/Equity Participation (06/25/20)
30.3(b) Condemnation (06/25/20)	

Except for a ground lease or other lease structure in place to obtain/maintain a tax benefit (discussed in Section 30.9), if the Ground Lessor will join in the Mortgage and mortgage its fee interest in the Property, then the ground lease will be considered a subordinated ground lease. If the Ground Lessor will not join in the Mortgage, then the ground lease will be considered an unsubordinated ground lease (see Section 30.4). ~~Unsubordinated ground leases are not permitted for SBL Mortgages.~~

For any ground lease Mortgage to be eligible for purchase, the ground lease (whether subordinated or unsubordinated) must meet the following requirements:

a. Casualty (06/25/20)

1. The ground lease must not contain a provision for termination in the event of damage or destruction, unless the ground lease Mortgage is paid in full.
2. The ground lease mortgagee must have the right to participate in adjustment of losses as to hazard insurance proceeds.
3. Hazard insurance proceeds must be paid to the ground lease mortgagee or an independent trustee acceptable to the ground lease mortgagee.
4. The Ground Lessor must not receive any hazard insurance proceeds until (i) the Property is fully restored or (ii) the ground lease Mortgage is paid in full.
5. If the Ground Lessee is obligated to rebuild after a casualty, then the Ground Lessee's obligation to rebuild must be limited to the amount of available insurance proceeds.



6. The ground lease must provide that no parties, other than the Ground Lessee and the ground lease mortgagee, will have any rights to (i) consent to or supervise the restoration of the Property (for example, the Ground Lessor may not have any right to participate in the adjustment of losses, approve budgets or approve plans and specifications) and/or (ii) control and/or supervise the administration and disbursement of the hazard insurance proceeds.
7. Either (i) the ground lease must provide that insurance proceeds may be applied to the ground lease Mortgage in accordance with the loan documents or (ii) the failure of the ground lease to provide as set forth in clause (i) must be disclosed to Freddie Mac in the Ground Lease Analysis and approved by Freddie Mac.

b. Condemnation (06/25/20)

1. The ground lease must provide that a ground lease mortgagee receives notice of, and has a right to participate in, any condemnation proceedings and settlement discussions.
2. The ground lease must set forth the formula for allocating the condemnation award between the Ground Lessor, the Ground Lessee and the ground lease mortgagee (for both partial and total condemnation). The ground lease must provide that any payment to the ground lease mortgagee or an independent trustee acceptable to ground lease mortgagee, as applicable, must not be less than the total award minus the value of the land that was taken pursuant to the condemnation (considered as unimproved, but encumbered by the ground lease).
3. The ground lease must provide for payment to the ground lease mortgagee (or independent trustee acceptable to ground lease mortgagee for restoration in the case of partial taking) of any condemnation award to which the Ground Lessee is entitled under applicable law.
4. In the case of a partial taking, the ground lease must permit the Ground Lessee to rebuild and restore the improvements on the Property, unless the ground lease mortgagee requires or consents to distribution of the proceeds. In that event, the ground lease must permit proceeds to be applied first toward reduction of the ground lease Mortgage.
5. The ground lease must provide that no parties, other than the Ground Lessee and the ground lease mortgagee, will have any rights to (i) consent to or supervise the restoration of the Property (for example, the Ground Lessor will not have any right to approve budgets or plans and specifications) and/or (ii) control and/or supervise the administration and disbursement of the portion of the condemnation award to which Ground Lessee is entitled.
6. Either (i) the ground lease must provide that condemnation awards may be applied to the ground lease Mortgage in accordance with the loan documents or (ii) the failure of the ground lease to provide as set forth in clause (i) must be disclosed to Freddie Mac in the Ground Lease Analysis and approved by Freddie Mac.

c. Shared Appreciation Rights/Equity Participation (06/25/20)



The ground lease may not grant the Ground Lessor (or any other party) shared appreciation rights or an equity participation in the Property (e.g., any right to share in the proceeds from a future financing/sale of the Property or the operating cash flow of the Property).

30.4 Additional requirements when Ground Lessor will not join in Mortgage (Unsubordinated Ground Lease) (02/27/25)

30.4(a) General (02/27/25)	30.4(d) Ground lease mortgagee protections (02/27/25)
30.4(b) Extension, purchase and cancellation (02/27/25)	30.4(e) Encumbrances on the fee (02/27/25)
30.4(c) Subletting and mortgaging the ground lease (02/27/25)	30.4(f) Sublease (02/27/25)

For any ground lease Mortgage to be eligible for purchase, an unsubordinated ground lease must meet the following requirements, in addition to those set forth elsewhere in this chapter.

a. **General** [\(02/27/25\)](#)

1. **Original lessee**

If the Borrower is not the original lessee under the ground lease, then there must be evidence that the fee owner of the Property (“Ground Lessor”) has specifically recognized the Borrower as lessee under the ground lease.

2. **Recordation**

The ground lease (including all amendments) or a memorandum of the ground lease and any assignments by the Ground Lessor or Ground Lessee of its interest in the ground lease must be recorded in the official land records of the jurisdiction where the Property is located.

3. **Full Force and Effect**

All conditions precedent to effectiveness of the ground lease term commencement must have been fully satisfied by the Origination Date of the ground lease Mortgage and the ground lease must be in full force and effect.

4. **Use**

If the ground lease does not permit “any lawful use”, then at a minimum it must permit the Property to be used as it is currently being used on the Origination Date of the ground lease Mortgage and must not contain any unreasonable restriction on the use of the real property.

5. **Ground lease mortgagee**



The ground lease must not contain any conditions, restrictions or limitations on what type of lender (including such lender's successors and assigns) is qualified to be a "ground lease mortgagee".

6. Unaffiliated Ground Lessor

The Ground Lessor must not be an Affiliate of the Borrower.

b. Extension, Purchasepurchase, and Cancellationcancellation (02/27/25)

1. Rights to extend or purchase

The ground lease must provide that the ground lease mortgagee may exercise any rights to extend the term of the ground lease or purchase the Property (if applicable) without the consent or joinder of the Ground Lessee.

2. Cancellation

The ground lease must provide that any termination, surrender or cancellation of the ground lease will not be effective without the prior written consent of the ground lease mortgagee.

c. Subletting and mortgaging the ground lease (02/27/25)

1. Right to mortgage

The ground lease must expressly permit the Ground Lessee to mortgage the ground lease without any limitation or restriction.

2. Right to Sublet

The ground lease must provide that the Ground Lessee must have the right to sublet, subject only to objective criteria that would be acceptable to a prudent commercial lender. A provision in the ground lease that "Ground Lessor's consent will not be unreasonably withheld" (or similar provision) is not sufficient.

3. Commercial space

If the Property contains commercial space, then the ground lease must contain reasonable, objective standards requiring the Ground Lessor to grant nondisturbance and attornment agreements to commercial tenants.

d. Ground lease mortgagee protections (02/27/25)

The ground lease must contain the following provisions:

1. Notice

The ground lease must require the Ground Lessor to give written notice to the ground lease mortgagee of all Ground Lessee defaults as a condition precedent to the Ground

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Lessor's exercise of any remedies for such default. The Ground Lessor must forward to the ground lease mortgagee copies of any notices it sends to the Ground Lessee, other than rent and other periodic billing notices.

2. Estoppel Certificates

The Ground Lessor must be obligated to deliver estoppel certificates to the ground lease mortgagee on request.

3. Modifications

The Ground Lessee must be prohibited from modifying the ground lease in any material manner or restating the ground lease without the prior written consent of the ground lease mortgagee.

4. Defaults and cure period

• Right to cure

The ground lease mortgagee must have the right to cure a monetary default or a non-monetary default that is capable of being cured by a ground lease mortgagee within the time permitted to the Ground Lessee, plus a reasonable additional time period (i.e., at least 10 days beyond any grace period granted to Ground Lessee for monetary defaults and at least 60 days beyond any grace period granted to Ground Lessee for non-monetary defaults).

• Defaults not capable of being cured

The ground lease mortgagee must have protection against a default that is not capable of being cured by a ground lease mortgagee, including the following provisions:

- The ground lease must prohibit termination of the ground lease as a result of any defaults of the Ground Lessee that by their nature are not capable of being cured by a ground lease mortgagee, so long as monthly base rents are being paid. Alternatively, the ground lease may provide that the Ground Lessor must waive a non-monetary default that is incapable of being cured if the ground lease mortgagee has commenced and is diligently pursuing the exercise of its rights and remedies and has cured any curable defaults within the applicable cure period afforded a ground lease mortgagee.
- The ground lease must allow the ground lease mortgagee additional time to obtain relief from any bankruptcy stay in the Ground Lessee's bankruptcy sufficient to enable the ground lease mortgagee to either foreclose the lien of the ground lease Mortgage or obtain the appointment of a receiver or secure other remedies necessary to enable the ground lease mortgagee to take control of the Property.

5. Foreclosure



The ground lease must allow a foreclosure or acceptance of a deed-in-lieu of foreclosure by the ground lease mortgagee, its nominee or its designee without the consent of the Ground Lessor and without any conditions, restrictions, approvals or limitations. The ground lease mortgagee must have the unrestricted and unconditional right to further assign the ground lease and leasehold interest, subject only to delivery of notice to the Ground Lessor and other routine documentation requirements.

6. New lease

If the ground lease terminates for any reason (including the rejection of the ground lease in a bankruptcy proceeding) other than expiration of the term, then the Ground Lessor must be obligated, without any conditions, restrictions, approvals or limitations, to enter into a new lease with the ground lease mortgagee, its nominee or its designee on the same terms and conditions as the original ground lease and with the same title priority.

7. Personal liability

The ground lease (or an estoppel certificate executed by the Ground Lessor) must provide that any liability of the ground lease mortgagee and its assigns must be limited to the value of its interest in the ground lease.

8. Release of liability

The ground lease must provide for an automatic release of the ground lease mortgagee and its assigns from any further liability to the Ground Lessor after the assignment of the ground lease.

9. No merger

The ground lease (or an estoppel certificate executed by the Ground Lessor) must contain a provision that there will not be a merger of the fee title with the leasehold interest if the Ground Lessee becomes the owner (through acquisition or otherwise) of the fee estate.

e. Encumbrances on the fee (02/27/25)

- **Existing mortgage on fee estate**

Any existing mortgage on the fee estate of the Ground Lessor must be subordinated to the ground lease, any subleases and any new ground lease given to ground lease mortgagee after termination of the original ground lease.

- **Future mortgage on fee estate**

The ground lease must prohibit the Ground Lessor from mortgaging the fee estate unless there is an express subordination of the fee mortgage to the Ground Lessee's interest under the ground lease, the interest of any ground lease mortgagee, any subleases and any new ground lease given to a ground lease mortgagee after termination of the original lease.



f. Sublease (02/27/25)

If the ground lease is a sublease, then Seller's legal counsel or Single Counsel, as applicable, must review each lease/sublease in accordance with this chapter, and Freddie Mac must be satisfied that it has received adequate additional security or other assurances to mitigate the legal risks inherent in a sublease structure.

30.5 Amendment to Ground Lease (09/26/19)

If the ground lease does not meet all the conditions in this chapter, as applicable, and any areas of non-compliance described in the Ground Lease Analysis are not acceptable to Freddie Mac, then Freddie Mac may require an amendment to the ground lease. Freddie Mac will not accept an amendment to the ground lease in an estoppel certificate (except for personal liability and merger, as provided in Section 30.4(d)(7) and (9)) unless the estoppel certificate is recorded and provides that it amends the ground lease for the benefit of the Ground Lessee and any future ground lease mortgagee.

30.6 Lessor's Estoppel Certificate (09/08/25/26/49)

An estoppel certificate is not required if the ground lease will be executed simultaneously with the ground lease Mortgage.

~~For non-SBL Mortgages, the~~The Seller must deliver a draft Ground Lessor's estoppel certificate to the ~~Applicable~~applicable Freddie Mac Multifamily Regional Office, with a copy to the applicable Multifamily Attorney for approval, at least 10 days before the Origination Date. At a minimum, the estoppel certificate must contain the provisions set forth in the Multifamily Ground Lessor's Estoppel Certificate found on FreddieMac.com. Freddie Mac may require that the Seller add additional provisions to the estoppel certificate, based upon Freddie Mac's review of the Ground Lease Analysis. The estoppel certificate must be dated within 30 days prior to the Origination Date.

The Seller must submit the approved and executed estoppel certificate to Freddie Mac at final delivery of the Mortgage.

30.7 Reserve for rents (06/25/20)

A Reserve for ground rents is not required if the security for the Mortgage includes a lien on the fee estate.

For all other ground lease Mortgages, the Seller must establish an appropriate Reserve, as determined by Freddie Mac, for rents due under the ground lease. At the time of final delivery of the ground lease Mortgage to Freddie Mac, the Seller must complete one of the following two forms, as applicable:

- [Form 1058, Letter Agreement for Servicer's Reserve Custodial Account](#), or
- [Form 1060, Letter Agreement for Reserve Custodial Account](#)

The form must be completed by the depository institution holding the Custodial Account and must acknowledge Freddie Mac's interest in the Custodial Account. The completed form must be delivered to Freddie Mac at the address provided on the form.



30.8 Title insurance for ground lease Mortgages (04/22/25)

In addition to meeting the requirements set forth in Chapter 29, the Title Policy must include the following:

1. Reference to the status of fee simple title to the Property and insurance that the Ground Lessee's interest under the ground lease and the Ground Lessee's option, if any, to purchase the fee interest in the related land,
2. Insurance that the ground lease is not subordinate to any lien or encumbrance (other than the ground lease Mortgage, if the fee owner is granting a mortgage on the fee estate); and
3. Insurance that the lender's interest encompasses both the fee estate and the leasehold estate for a subordinated ground lease.

Freddie Mac may require additional endorsements that it determines are appropriate.

30.9 Leases with Government Agencies (including Industrial Development Agencies) (09/26/19)

If the Borrower has entered into a ground lease with a government agency (including an Industrial Development Agency or Authority) for the purpose of obtaining a tax abatement, tax exemption or payment in lieu of taxes ("tax benefit"), then Seller's legal counsel or Single Counsel (as applicable) must analyze the ground lease as follows:

- If the tax benefit is used in the underwriting of the Mortgage, then the ground lease must be analyzed as an unsubordinated ground lease (even if the governmental agency granting the tax benefit will join in the Mortgage).
- If the tax benefit is not used in the underwriting of the Mortgage, then the ground lease must be analyzed as a subordinated ground lease.

Multifamily Seller/Service Guide

Chapter 31

Insurance Requirements



Insurance Requirements	
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31.2 General requirements for Borrower's property damage and general liability insurance (06/23/26)	31.16 General liability insurance (12/16/25)
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31.1 General insurance requirements and insurance terms (07/15/25)

31.1(a) General requirements (06/30/16)	31.1(c) Additional insurance terms (07/15/25)
31.1(b) Form of coverage (05/22/25)	

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

a. General requirements (06/30/16)

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

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

b. Form of coverage (05/22/25)

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

c. Additional insurance terms (07/15/25)

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

1. Actual Cash Value (ACV)

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

2. Agreed Amount Provision or Agreed Value Endorsement

An Agreed Amount Provision or Agreed Value Endorsement is an endorsement in a commercial property insurance policy in which the Borrower and the insurance company



agree on the insurable value of a specific property. The provision has the effect of suspending the policy's Coinsurance Clause until a specified expiration date.

3. Blanket Insurance Limit

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

4. Blanket Insurance Policy

A Blanket Insurance Policy provides insurance coverage for multiple locations, properties, or assets under a single, shared limit.

5. Captive Insurance Company or Captive Insurer (Captive)

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

6. Claims Made Policy Form

A Claims Made Policy provides coverage that is triggered when a claim is made against the insured during the policy period.

7. Coinsurance Clause

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

8. Insurable Value (IV)

Insurable Value is an estimate of the maximum amount to replace, repair, or reproduce a Property, but excluding any land value.

The Seller/Service must use credible sources to determine Insurable Value. Below are examples of the most common resources:

- **Insurance company** – the Insurable Value estimate provided by the insurance company that has underwritten or will underwrite the property damage insurance. Using the insurance company's estimate, where provided, will help reduce any disagreements about coverage if a claim is filed
- **Appraisal** – a document prepared by a qualified commercial real estate appraiser experienced in the market



- **Contractor** – a reputable commercial contractor with experience constructing and/or reconstructing properties in the area similar to the Property
- **Third-party vendor** – a third-party vendor that specializes in Insurable Value calculations or publishes data used for this purpose

9. Joint Loss Agreement

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

10. Localized Peril or Regional Peril

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

11. Master Insurance Policy

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

12. National Flood Insurance Program (NFIP)

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

13. Occurrence-based Policy Form

An occurrence-based policy is a policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made.

14. Specific Insurance Limit

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

15. Schedule of Values (SOV)

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

16. Total Insurable Value (TIV)



The Total Insurable Value is the sum of the full value of the insured's covered property, business income values, and any other covered property.

31.2 General requirements for Borrower's property damage and general liability insurance (06/23/26)

31.2(a) Acceptable forms (06/30/16)	31.2(e) Mortgagee clause and additional insured (12/14/18)
31.2(b) Insurance policy term (07/15/25)	31.2(f) Cancellation clause (06/23/26)
31.2(c) Reserve (07/15/25)	31.2(g) Proof of payment (07/15/25)
31.2(d) Named insured (12/16/25)	

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

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

a. Acceptable forms (06/30/16)

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

b. Insurance policy term (07/15/25)

Insurance policies should be written for a term of at least 12 months. For a newly-originated Mortgage, a Property may be added mid-term to an existing 12-month policy. Policies of lesser terms may be accepted if, when the existing policy expires, the policy will be renewed for at least 12 months. Policies are to be in full force and effect on the Origination Date of the Mortgage and required coverage must be continuous throughout the term of the Mortgage.

See Section 31.22 for additional information on renewals.

c. Reserve (07/15/25)

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

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



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

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

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

See Section 39.2 for additional information regarding Reserves and payments.

d. Named insured (12/16/25)

All insurance policies must list the Borrower as a named insured. If a property management company or Seniors Housing Operator provides insurance for the Borrower, the Seller/Servicer must verify the Borrower has a written management or operating agreement with the company providing insurance and confirm the Borrower is listed as an Additional Named Insured on the applicable policies.

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

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

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

Freddie Mac must not be named as an additional insured in any professional liability insurance policies, including a primary, excess and/or umbrella professional liability insurance policy.

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

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



f. Cancellation clause (06/23/26)

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

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

g. Proof of payment (07/15/25)

The Seller/Servicer must ensure that the Borrower:

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

Premium installment/direct bill arrangements are allowed as long as the Seller/Servicer verifies receipt of payments. Third-party premium financing is permitted as long as the Seller/Servicer reviews the financing agreement and verifies:

- The financing agreement has no negative impact on the Seller/Servicer, Freddie Mac, or the Mortgage collateral, and
- Does not include any conditions that could prevent the Seller/Servicer or Freddie Mac from receiving the insurance proceeds associated with losses at the Property

The Seller/Servicer also must retain a copy of the financing agreement in the loan file, as well as verification of receipt of payments when due.

31.3 Blanket or Master Insurance Policies (12/16/25)

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

- The insurance documentation clearly identifies the complete street address of the Property; and
- The policy complies with all other applicable insurance requirements in this chapter



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

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's Blanket Insurance Limits, including geographic concentrations of Insurable Value, covered by the same limits. The Seller/Servicer must collect appropriate documentation such as Statement of Values, evidence of insurance coverage or insurance policies, portfolio risk modeling results, and other relevant information the Seller/Servicer deems necessary to complete its analysis. Other relevant information may include property addresses, number of buildings and stories, building IV, business income/rental value, and business personal property, if any.

In its analysis, the Seller/Servicer must:

- Review and analyze the Statement of Values and Geographical concentration of properties/Total Insurable Values under the Blanket Insurance Policy
- Confirm whether blanket limits reinstate; however, per-policy aggregate limits are acceptable for flood, earthquake and terrorism coverage
- Confirm whether the blanket limit is sufficient to cover the largest TIV

Note that the evaluation of whether the limit provides adequate coverage relevant to the associated risks must not rely solely on probable maximum loss results from risk modeling reports.

The coverage provided by a blanket "All-Risk" policy must be as good as, or better than, a single, stand-alone policy. The Seller/Servicer must provide a copy of its blanket-limit analysis in the Insurance Compliance Tool (ICT) record as well as retain a copy in the loan file.

31.4 Acceptable insurers (06/23/26)

Each insurance carrier providing property damage and/or liability insurance, whether admitted or non-admitted, must maintain a minimum AM Best Company Financial Strength Rating of A-. This rating requirement does not apply to policies issued through State-Sponsored Insurance programs or policies issued by insurers participating in National Flood Insurance Program (NFIP).

31.5 Property damage (All-Risk) insurance (12/16/25)

31.5(a) Property damage (All-Risk) deductible (12/16/25)	31.5(b) Expanded deductible (12/16/25)

Property damage insurance is required for all Mortgages to ensure the improvements are protected against loss or damage from fire and other perils covered within the scope of an Insurance Services Office (ISO) Special Causes of Loss or "All Risk" policy form. Policies must be written on a replacement cost value basis rather than actual cash value basis; however, coverage for roof coverings may be written on an actual cash value basis. Property damage (All-Risk) insurance coverage must:

- For properties with a single residential building, be written in an amount not less than 100 percent of the Insurable Value (IV) of the improvements without any deduction for depreciation, and

- For properties with multiple residential buildings, be written in an amount not less than 90 percent of the IV, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount Provision. If an Agreed Amount Provision is used, the agreed amount must be no less than the estimated IV.

Additionally, Freddie Mac requires that the policy contain a Joint Loss Agreement if Boiler and Machinery or Equipment Breakdown Insurance is required and the insurance carrier providing the coverage is different from the carrier providing property damage insurance.

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

For policies providing property damage (All-Risk) insurance coverage using Blanket Insurance Limits, the Seller/Service must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property as indicated in Section 31.3.

a. Property damage (All-Risk) deductible (12/16/25)

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

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

The maximum per occurrence deductible when All-Risk coverage is provided by a Blanket Insurance Limit is \$250,000.

Policies that include aggregate deductibles are acceptable, provided the Seller/Service confirms:

- The aggregate deductible amount is fully funded and held by the Borrower in a segregated bank account, the Seller/Service in a tax and insurance escrow, or a third party on behalf of the Borrower
- Any claim checks are required to list Seller/Service as payee c/o Freddie Mac
- Any claim checks are considered insurance loss proceeds per the Loan Documents

b. Expanded deductible (12/16/25)

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

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

Expanded Deductibles	
IV of the Property	Maximum Deductible
< \$10 million	\$100,000
≥ \$10 million	\$150,000

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

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

31.6 Business Income/Rental Value Insurance (07/15/25)

Business Income/Rental Value Insurance is required for all applicable property damage perils within the scope of the “Special Causes of Loss” or “All Risk” policy form, regardless of whether the coverage is provided on an All-Risk or separate policy.

The coverage must be sufficient to cover the following:

- Income based on Actual Loss Sustained for 12 months; or
- 12 months of Effective Gross Income (EGI) based on the most recent annual EGI reported; or
- Annual NOI plus continuing expenses, with a completed business income worksheet provided by the Borrower’s agent or broker

The maximum deductible for business income/rental value coverage is:

- The maximum deductible for the property insurance coverage, or
- A waiting period (also known as the deductible) of three days or 72 hours

For a Mortgage Loan with a UPB of \$35 million or more, coverage must include a 90-day extended period of indemnity option.



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

31.7 Windstorm insurance (12/16/25)

31.7(a) Wind/hail coverage (04/30/19)	31.7(d) Named Storm deductibles (12/16/25)
31.7(b) Wind/hail deductibles (12/16/25)	31.7(e) Windstorm insurance through a State Windpool (12/16/25)
31.7(c) Named Storm coverage (07/15/25)	

Windstorm insurance refers to coverage for damages caused by high winds, hail, tornados, and hurricane-force winds. Windstorm coverage in this chapter is identified as either Wind/Hail or Named Storm. If windstorm coverage is excluded from the primary property insurance policy, separate windstorm coverage must be obtained, either through an endorsement or a separate policy.

a. Wind/Hail coverage (04/30/19)

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

b. Wind/Hail deductibles (12/16/25)

For Specific Insurance Limits:

- When expressed as a dollar amount:

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

- When expressed as a percentage, five percent of the subject property's TIV with a stated minimum not to exceed \$100,000

For Blanket Insurance Limits:

- When expressed as a dollar amount, \$250,000
- When expressed as a percentage, five percent of the subject property's TIV, with a stated minimum not to exceed \$250,000

The maximum deductible for Wind/Hail business income/rental value coverage is:

- When expressed as number of days, 15 days
- When expressed as a dollar amount, \$100,000



c. Named Storm coverage (07/15/25)

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

If the Named Storm coverage does not include flooding due to storm surge, then the Borrower is to maintain flood insurance for any buildings located in FEMA 500-year flood zones equal to or exceeding the maximum coverage available through NFIP policies or their equivalent.

If Named Storm coverage is provided as part of a Blanket Insurance Limit, the Seller/Service must determine, to its satisfaction, that the blanket Named Storm limits are adequate for the Property and any concentrations of Insurable Value associated with other properties covered per Section 31.5(c).

The Blanket Insurance Limit for Named Storm may not be less than 90 percent of the largest individual TIV covered by the policy. The blanket limit must be per-occurrence and reinstate to the required limit after any losses.

d. Named Storm deductibles (12/16/25)

For Specific Insurance Limits:

- When expressed as a dollar amount:

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

- When expressed as a percentage, 7.5 percent of the subject property's TIV, with a stated minimum not to exceed \$100,000

For Blanket Insurance Limits:

- When expressed as a dollar amount, \$250,000
- When expressed as a percentage, 7.5 percent of the subject property's TIV, with a stated minimum not to exceed \$250,000

The maximum deductible for Named Storm business income/rental value coverage is:

- When expressed as number of days, 15 days
- When expressed as a dollar amount, \$100,000



e. **Windstorm insurance through a State Windpool (12/16/25)**

If windstorm coverage is only available from a state-sponsored insurance program or State Windpool, the policy must:

- Be written in an amount no less than 100 percent of the TIV and meet the deductible requirements in this Section 31.7.
- If the policy contains a Coinsurance Clause, it must:
 - Include an Agreed Amount Provision equal to no less than 100 percent of the IV of the improvements, or
 - Contain a Coinsurance Clause less than or equal to 80 percent

31.8 **Flood insurance (12/16/25)**

31.8(a) Flood zone determination (07/15/25)	31.8(d) Maximum deductible for flood insurance (07/15/25)
31.8(b) Flood coverage requirements (12/16/25)	31.8(e) Seller/Service flood zone monitoring responsibilities (12/16/25)
31.8(c) Flood coverage provided by Blanket Insurance Limit (07/15/25)	31.8(f) Flood insurance during FEMA map change application (12/16/25)

Flood insurance is required for any income-producing building that is part of the Property that is fully or partially located in a Special Flood Hazard Area (SFHA) Zones prefixed with A or V, as defined by FEMA, or when located in a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA).

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

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

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

a. **Flood zone determination (07/15/25)**

For each Mortgage loan origination, Seller/Service must determine whether any buildings located at the Property are or will be fully or partially located in a SFHA, using the [FEMA Standard Flood Hazard Determination Form \(SFHDF\)](#). Seller/Service must ensure that all



structures at the Property will be evaluated when ordering the SFHDF. In addition to the Property address listed in the Collateral Description of the SFHDF, Seller/Servicers must provide to the vendor supplemental information such as the Property's legal description or parcel descriptions. The resulting SFHDF and any subsequent versions, must be effective for the life of the related loan. In addition, the SFHDF should include a map image overlay. A copy of the SFHDF along with a signed copy of the Notice to the Borrower of Special Flood Hazard and Federal Assistance must be included in the Mortgage File.

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

b. Flood coverage requirements (12/16/25)

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

- The IV of the first two floors of the building above grade, plus
- The IV of any floors below grade, plus
- 12 months of business income/rental value associated with the building, and
- The IV of Borrower-owned contents or business personal property within the building.

Seller/Servicers must provide a summary of the estimated building and business income/rental value coverage amounts required for each building located in a SFHA as an attachment within the ICT record. Business income/rental value coverage calculations should follow the guidelines in Section 31.6.

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

Contents or business personal property generally includes equipment and inventory owned by the Borrower which are used in connection with the ownership, management or operation of the Property that do not otherwise constitute fixtures. Seller/Servicers are responsible for having a process in place to obtain inventory and the Insurable Value of Borrower-owned contents or business personal property within buildings located in SFHAs to determine the required coverage. Seller/Servicers must provide documentation of the presence or absence of Borrower-owned contents or business personal property in the Mortgage file.

Private flood insurance policies must:

- Be written on a RCV basis without any deduction for depreciation,
- Provide coverage and terms at least as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP, and



- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount Provision. If an Agreed Amount Provision is used, the agreed amount must be no less than the estimated IV.

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

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

c. Flood coverage provided by Blanket Insurance Limit (07/15/25)

For policies providing flood insurance coverage using Blanket Insurance Limits, the Seller/Serviceicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property as indicated in Section 31.3.

The coverage provided by a Blanket Insurance Policy must be as good as, or better than, a single, stand-alone policy. The Seller/Serviceicer must provide a copy of its blanket-limit analysis in the ICT record as well as retain a copy in the loan file.

d. Maximum deductible for flood insurance (07/15/25)

The following are maximum deductibles allowed for flood insurance policies:

For first-layer building coverage:

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

For Business Income/Rental Value coverage:

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

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

e. Seller/Serviceicer flood zone monitoring responsibilities (12/16/25)

The Seller/Serviceicer must have a process in place that allows it to monitor any FEMA NFIP map changes and identify whether any buildings at the Property are newly designed in an SFHA. Flood insurance is required for all buildings located in SFHAs per this chapter.



For newly-designated buildings, flood insurance is to be in place no later than 120 days after the effective date of the FEMA NFIP map change.

For buildings no longer located in SFHAs, flood insurance may be discontinued. Within 10 days of notifying the Borrower that flood insurance is required for additional buildings, or authorizing the Borrower to discontinue flood insurance coverage, the Servicer must give written notice to Freddie Mac via email at MF_Insurance_Compliance@freddiemac.com. The email must note the property name, loan number and the changes. The Servicer must also complete and submit a Summary Update record in ICT with updated flood zone and flood coverage information. The Summary Update must also include a copy of the LODR, LOMA, or LOMR and any other applicable documentation.

f. Flood insurance during FEMA map change application (12/16/25)

Borrowers may submit requests to FEMA for map/flood zone designation changes at any time during the loan. The Servicer may remove a building from a SFHA only if the Servicer receives an updated FEMA SFHD based on any one of the following:

- Letter of Map Amendment (LOMA), or
- Letter of Map Revision (LOMR), or
- Letter of Determination Review (LODR)

During the FEMA review of the map change requests, the Borrower may maintain flood coverage in amounts equal to the maximum available coverage from NFIP policies for the type of buildings insured. The Borrower must provide a copy of the map change requests submitted to FEMA along with information such as case number and status. If the results of the FEMA map change request are not successful, then compliant flood insurance is required for buildings in SFHAs. The Servicer must maintain a copy of the LOMA, LOMR or LODR in the Mortgage File.

The Borrower may apply to FEMA for map changes more than once only under the following conditions:

- The Borrower has new or corrected elevation data,
- The Borrower has made changes to the Property or obtained additional supporting documentation, or
- The Borrower is addressing a previous denial with updated information

If the Borrower re-applies for a FEMA map change that was denied based on incorrect or incomplete information, the Borrower will be required to maintain compliant flood coverage during the review process. The Borrower may not reapply for a denied FEMA map change if the denial was based on a fundamental issue such as the buildings being located below the Base Flood Elevation (BFE).



31.9 Earthquake insurance (~~12/16~~08/25/26)

31.9(a) [Earthquake terms used in this chapter \(08/25/26\)](#)

31.9(b) [Earthquake insurance requirements \(08/25/26\)](#)

a. Earthquake terms used in this chapter (~~12/15/22~~08/25/26)

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

- Seismic Risk Assessment (SRA)**

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

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

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

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

b. Earthquake insurance requirements (~~12/16~~08/25/26)

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

1. Required earthquake coverage

Earthquake insurance is required per the table below:

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

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	completion, then insurance will no longer be required	
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

***See Section 64.9 or Section 64SBL.9 as applicable, for Freddie Mac’s requirements for the evaluation of building stability.**

For any Property or buildings that Freddie Mac requires earthquake insurance, the coverage must be at least 100 percent of the IV of the building.

Business Income/Rental Value coverage may also be required, per Section 31.6.

2. Earthquake deductibles

For Specific Insurance Limits:

- When expressed as a dollar amount:

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

- When expressed as a percentage, 7.5 percent of the subject property’s TIV, with a stated minimum not to exceed \$100,000

For Blanket Insurance Limits:

- When expressed as a dollar amount, \$250,000
- When expressed as a percentage, 7.5 percent of the subject property’s TIV, with a stated minimum not to exceed \$250,000

The maximum deductible for earthquake business income/rental value coverage is as follows:

- When expressed as number of days, 15 days
- When expressed as a dollar amount, \$100,000

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

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

a. Updates to the National Seismic Hazard Maps



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

- Obtain an updated PGA calculation in accordance with Section 64.2(b) ~~or Section 64SBL.2(b), as applicable~~
- Obtain an SRA in accordance with the requirements of Chapter 64 ~~or Chapter 64SBL, as applicable~~
- Submit the seismic risk documentation described in Section 55.2 ~~or Section 55SBL.2, as applicable~~, to *Multifamily Asset Management, Asset Performance and Compliance*

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

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

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

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

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

b. After a Property undergoes seismic retrofit

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

The Seller/Servicer must:

- Obtain an SRA in accordance with the requirements of Chapter 64 ~~or Chapter 64SBL, as applicable~~



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

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

31.10 Boiler and Machinery or Equipment Breakdown insurance (07/15/25)

Boiler and Machinery or Equipment Breakdown insurance is required for any high-pressure, centralized heating, ventilation and cooling (HVAC), boiler, water heater, or other vessel that is in operation and regulated by the state or municipality where the Property is located. The insurance must cover loss or damage from explosion of steam boilers, pressure vessels and/or other steam equipment currently in place or installed at a later date.

Boiler and Machinery coverage amount must be at least 100 percent of the IV of each building housing the central HVAC system, including the IV of the central HVAC system, plus business income/rental value per Section 31.6. If the Boiler and Machinery insurance is provided by a different insurance carrier than the primary insurance carrier providing the property damage policy, Freddie Mac requires that both policies include a Joint Loss Agreement.

The maximum per occurrence deductible for Boiler and Machinery or Equipment Breakdown Insurance must not exceed those identified in Sections 31.5 and 31.6.

31.11 Builder's Risk insurance (07/15/25)

Builder's Risk insurance is required for any new construction, major renovation, or rehabilitation projects the Borrower undertakes at the Property. A Builder's Risk policy insures against loss to buildings, material, equipment and fixtures during construction, rehabilitation, addition, significant alteration or repair, including but not limited to, loss due to fire, theft vandalism, and weather-related events. If insurance for such projects is not provided by the Borrower's primary property insurance policies, a separate Builder's Risk policy is required.

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

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

The maximum per occurrence deductible for Builder's Risk insurance must not exceed those identified in Section 31.5.

31.12 Ordinance or Law insurance (07/15/25)

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



Ordinance or Law coverage is required for any property that is non-conforming under current building, zoning or land use laws or ordinances.

Ordinance or Law coverage must include the following:

- a. **Coverage “A” – Loss to the undamaged portion of the Property:** Coverage no less than the IV of the Property less the damage threshold percentage specified in the zoning laws. If the damage threshold is not specified, then a 50 percent threshold is acceptable.

For example:

- If the IV of the Property is \$20 million and the damage threshold percentage is 60 percent, the Coverage “A” limit must be at least \$8 million
- b. **Coverage “B” – Demolition cost:** The cost to demolish and clear the site of undamaged parts of the Property if such demolition is required. Coverage “B” must equal no less than 10 percent of the estimated IV of the Property.
- c. **Coverage “C” – Construction cost:** Increased cost of construction to allow the Borrower to rebuild the Property to meet all applicable zoning laws. Coverage “C” must equal no less than 10 percent of the estimated IV of the Property.
- d. **Coverage “D” – Increased Period of Restoration:** If the Property has buildings 5 stories or more, then an Increased Period of Restoration endorsement is required. The coverage extends business income and extra expense coverage and provides additional time to restore operations when delayed due to enforcement of building or zoning laws.

When Ordinance or Law limits are combined, the amount must equal or exceed the sum of the required amount of each type of coverage.

31.13 Terrorism insurance (10/21/25)

31.13(a) Terrorism coverage (07/15/25)	31.13(b) Blanket terrorism insurance (10/21/25)

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

a. **Terrorism coverage (07/15/25)**

Terrorism coverage must meet all of the following requirements:

- Property damage insurance in an amount and with maximum deductibles in accordance with Sections 31.5 and 31.6, and
- Liability insurance in accordance with Section 31.16



b. Blanket terrorism insurance (10/21/25)

For policies providing terrorism insurance coverage using Blanket Insurance Limits, the Seller/Service must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risk as indicated in Section 31.3.

The coverage provided by a Blanket Insurance Policy must be as good as, or better than, a single, stand-alone policy. The Seller/Service must provide a copy of its blanket-limit analysis in the ICT record as well as retain a copy in the loan file.

31.14 Localized Perils insurance (07/15/25)

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

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

31.15 Reserved (07/15/25)

31.16 General liability insurance (12/16/25)

31.16(a) Required CGL and umbrella or excess coverage (12/16/25)	31.16(c) Workers Compensation (05/22/25)
31.16(b) Maximum deductible and self-insured retention (SIR) for liability insurance (12/16/25)	

Standard commercial general liability (CGL) insurance is required to insure against liability resulting from bodily injury, property damage, personal injury, advertising injury and contractual liability. The coverage must be provided on an Occurrence-based Policy Form.

The Seller/Service must review the property's potential liability exposure and determine whether any exclusions are appropriate. CGL exclusions included within the scope of ISO Form CG 00 01 04 13, or its equivalent, are acceptable. Seller/Service must ensure coverage is maintained for the risk(s) reasonably associated with the property and that any exclusions do not otherwise eliminate coverage expected to be provided by the CGL policy. The liability policy must be written with no exclusions for claims related to assault and battery, molestation, sexual abuse, animal attacks, or firearms.

If the Borrower changes from a Claims Made Policy Form to an Occurrence-based Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

a. Required CGL and umbrella or excess coverage (12/16/25)

1. The Borrower must maintain primary CGL coverage limits of:

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

If the CGL policy covers multiple locations, the aggregate limits must apply per location.

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

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

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

b. Maximum deductible and self-insured retention (SIR) for general liability insurance (12/16/25)

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

- \$50,000 for policies insuring a single property
- \$250,000 for Blanket Insurance policies covering multiple properties

Policies that include aggregate deductibles are acceptable if the Seller/Servicer confirms:

- The aggregate deductible amount is fully funded and held:
 - By the Borrower in a segregated bank account
 - By the Seller/Servicer in a tax and insurance escrow, or



- By a third party on behalf of the Borrower
- For existing Mortgages, if the Borrower is unable to obtain a policy with the maximum deductibles allowed within the sections of this chapter, the Servicer may approve expanded deductibles per Section 31.5(b)

c. Workers Compensation (05/22/25)

The Borrower must maintain Workers Compensation and Employer Liability insurance (including terrorism coverage) if required by the State where the Property is located. The coverage amounts must meet Statutory limits.

31.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (10/21/25)

31.17(a) Professional liability (PL) insurance requirements (10/21/25)	31.17(b) Deductibles and self-insured retention (SIR) (10/21/25)

a. Professional liability (PL) insurance requirements (10/21/25)

If any level of health care is provided at a Seniors Housing Property, the Borrower must maintain professional liability insurance covering errors and omissions, medical malpractice, and all types of abuse.

The professional liability policy may be written on a Claims Made Policy Form or an Occurrence-based Policy Form. If the Borrower changes from a Claims Made Policy Form to an Occurrence-based Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage. Terrorism insurance is not required for Professional Liability policies.

1. Borrower must maintain primary professional liability coverage of:

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

If the professional liability policy covers multiple locations, the aggregate limits must apply per location.

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

Total number of licensed beds covered by the policy	Minimum Umbrella/Excess Coverage
Less than or equal to 100	\$2 million
101 to 500	\$5 million
501 to 1,000	\$10 million

Total number of licensed beds covered by the policy	Minimum Umbrella/Excess Coverage
Greater than 1,000	\$20 million

The minimum coverage limits in this section may be satisfied with any combination of primary PL, umbrella and/or excess liability limits, provided the aggregate coverage meets the required minimum limits. If CGL and PL insurance coverages are combined, the required umbrella and/or excess liability limit is the higher of the two requirements. Note that assisted-living and independent-living beds are not counted when determining the umbrella/excess coverage.

b. Deductibles and self-insured retention (SIR) (10/21/25)

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

- \$50,000 for policies insuring a single property
- \$250,000 for blanket policies covering multiple properties

Policies that include aggregate deductibles or SIRs are acceptable if the Seller/Service confirms the aggregate deductible amount is fully funded and held:

- By the Borrower in a segregated bank account,
- By the Seller/Service in a tax and insurance escrow, or
- By a third party on behalf of the Borrower

For existing Mortgages, if the Borrower is unable to obtain a policy with the maximum deductibles allowed within the sections of this chapter, the Service may approve expanded deductibles per Section 31.5(b).

31.18 Cooperative (Co-op) requirements (10/21/25)

31.18(a) Fidelity bond/crime insurance coverage (10/21/25)	31.18(b) Co-op directors' and officers' liability insurance (10/21/25)

a. Fidelity bond/crime insurance coverage (10/21/25)

The Seller/Service must ensure that each Co-op Borrower maintains fidelity bond/crime insurance coverage for the Co-op's employees, officers and board members. The minimum coverage required includes three months of scheduled Cooperative Maintenance Fees with a maximum deductible of \$25,000.



b. Co-op directors' and officers' liability insurance (10/21/25)

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

- Minimum coverage of \$1 million per claim or per occurrence
- Maximum deductible of \$50,000

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

31.19(a) Documentation of Borrower insurance compliance at loan origination (02/17/22)	31.19(c) Post-purchase reporting of Borrower insurance compliance (12/14/23)
31.19(b) Documentation of Borrower insurance compliance for Transfers of Ownership (02/27/25)	

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

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

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

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

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



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

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

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

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

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

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

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

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

- Update Summary Function. The Seller/Servicer must complete the Update Summary form to identify renewed or changed insurance coverage details, attach updated Evidence of Insurance and other supporting documentation, and submit the “Update Summary.” Once the update has been submitted, a PDF image of the form, along with any attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.



- **Renewal Waivers.** If any element of the Borrower’s insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must submit a Renewal Waiver request in ICT for review and approval.

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

31.20 Evidence of insurance (12/15/22)

31.20(a) Temporary evidence of insurance (12/15/22)	31.20(b) Permanent evidence of insurance (12/15/22)

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

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

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

- ACORD 28, Evidence of Commercial Property Insurance (most recent version)
- ACORD 27, Evidence of Property Insurance (most recent version)
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- ACORD 75, Insurance Binder
- Declaration pages from Property insurance policy
- Property insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender
- For NFIP flood insurance, NFIP policy declaration page or completed and executed NFIP Flood Insurance Application plus a copy of the paid receipt for the Borrower’s premium payment
- For private flood insurance, policy declaration page, copy of flood insurance policy including all endorsements and exclusions, copy of policy binder, or copy of quote of flood insurance that will be in place



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

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

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

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

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

31.21 General requirements applicable to all property and liability insurance documentation (07/15/25)

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

- Borrower, Borrower Principal, or affiliated management company as Named Insured
- Complete Property address
- Mortgagee and Additional Insured endorsements
- Policy effective dates evidencing current coverage
- Policy notice of cancellation provisions
- Coverage limits, sublimits, and deductibles
- Information clearly stating whether terrorism coverage is included



- If flood insurance is required, information indicating limits and deductibles specifically applicable to buildings located in SFHA

31.22 Verification of required and continuing property and liability insurance coverage (07/15/25)

31.22(a) Required coverage (07/15/25)	31.22(b) Continuing coverage (12/17/19)

a. Required coverage (07/15/25)

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

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

In addition, if there is insurance coverage in force on the Property that is no longer required by Freddie Mac (for example, FEMA has determined the Property is no longer in an SFHA and flood insurance is not required) the Servicer must provide the appropriate documentation to notify Freddie Mac at MF_Insurance_Compliance@freddiemac.com and explain that the insurance is no longer required.

b. Continuing coverage (12/17/19)

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

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

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

31.23 Reserved (12/14/18)

31.24 Ensuring continuous insurance coverage (06/23/26)

31.24(a) General requirements for ensuring continuous insurance coverage (07/15/25)	31.24(d) Payment for forced placed insurance (04/30/19)



31.24(b) Forced placed insurance (07/15/25)	31.24(e) Monthly reporting of force placed insurance (06/23/26)
31.24(c) Notice to Freddie Mac of forced placed insurance (06/23/26)	

a. General requirements for ensuring continuous insurance coverage (07/15/25)

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

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

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

- Provide retroactive and/or automatic coverage
- Cover the Mortgages serviced for Freddie Mac
- Include deductibles no greater than those required by the Purchase and Servicing Documents
- Provide all property damage and liability insurance required by the Purchase and Servicing Documents
- Be provided by an insurance carrier meeting the requirements of Section 31.4

b. Force placed insurance (07/15/25)

Under certain circumstances, Freddie Mac requires the use of force placed insurance to prevent a lapse in insurance coverage.

1. If one or more of the following conditions exists, the Seller/Servicer must force place insurance:
 - The required insurance has not yet lapsed or been canceled, but will lapse within three days (or over an intervening weekend or holiday), and
 - The Servicer determines that the renewal of the existing insurance or new insurance is not forthcoming, or
 - The Servicer has not been able to determine that the renewal of the existing insurance or new insurance is forthcoming



- Any insurance obtained by the Servicer to prevent a lapse in coverage is no longer in force or will no longer be in force within three days (or over an intervening weekend or holiday)
2. If both of the following conditions exist, the Seller/Servicer must contact the Borrower within two days of the Servicer learning of the condition and must work with the Borrower to resolve the deficiency:
- The insurance currently in force provides less than 80 percent of the required Property coverage (see Note below)
 - A lapse in coverage is not imminent

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

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

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

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

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

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

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



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

If any deficiencies identified in an exception request are not resolved within 90 days of submittal, then the Servicer must force place required insurance. The Servicer may charge the Borrower for the cost of force placed insurance.

c. Notice to Freddie Mac of force placed insurance (06/23/26)

If coverage is force placed as described in Section 31.24(b), the Servicer must promptly send written notification to Freddie Mac at MF_Insurance_Compliance@freddiemac.com detailing the following:

- Freddie Mac loan number
- Type of insurance coverage
- Amount of coverage
- Force placed premium amount
- Reason for force placement
- Date Borrower notified
- Effective date of coverage

The Servicer must retain in the Mortgage File a copy of the written notification regarding force placed insurance.

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

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

e. Monthly reporting of force placed insurance (06/23/26)

In addition to the notification requirements set forth in Section 31.24(c), each Seller/Servicer must submit to Freddie Mac a monthly aggregation of all force placed insurance in effect and/or no longer in effect for Mortgages serviced on Freddie Mac's behalf using the [Force Placed Insurance Reporting Template](#). The Seller Servicer is to submit the monthly aggregation report at MF_Insurance_Compliance@freddiemac.com.



This monthly reporting requirement does not replace or modify the Servicer's obligation to provide immediate written notice to Freddie Mac upon the placement of force placed insurance in accordance with Section 31.24(c).

The Seller/Servicer must ensure that the information submitted in the monthly aggregation is complete, accurate, and consistent with the Servicer's records and any notifications previously provided to Freddie Mac. The Seller/Servicer must retain supporting documentation in the Mortgage File in accordance with Section 31.19 and make such documentation available to Freddie Mac upon request.

31.25 Reserved (07/15/25)

31.26 Reserved (06/30/16)

31.27 Captive Insurance and risk retention groups (RRG) (12/16/25)

The use of Captive insurance or risk retention groups (RRGs) is acceptable for the following:

- General and Professional Liability coverage, including umbrella or excess
- Property and Liability policy deductibles
- Property coverage; however, the Captive may not provide the majority of the coverage
- Terrorism policies when backed by the Terrorism Risk Insurance Program

The Seller/Servicer must review the Captive or RRG to ensure the entity or its insurer's providing coverage meets the acceptable insurer rating requirements in Section 31.4. For Captives or RRGs that are not satisfactorily rated, the Seller/Servicer must review information such as that listed below, as applicable, and assess the entity's financial stability and ability to cover its projected loss obligations, plus address any non-compliance issues. The Seller/Servicer must submit a waiver request along with a written assessment describing the results of its assessment and rationale for its recommendation to accept the Captive or RRG. Types of information to review include, but are not limited to, the following:

- Certificate of Authority showing its state-issued license to conduct business including complete entity name, date of authority, and State of domicile
- State Examination Report covering a specific time frame and addressing a review of the entity's balance sheet, income, investments, premiums, reinsurance, and loss history, as the entity's financial condition, ability to fulfill its obligations, and compliance with applicable State laws and regulations
- Actuarial Report that includes a statement of opinion after evaluating, opining, and certifying the adequacy of the entity's open and paid losses, loss adjustment expense reserves, capital and surplus



- The entity's status as either a single-parent Captive, where an insurance subsidiary insures the loss exposures of its parent company or single entity, or a group Captive owned by several different companies that are normally from the same industry and have similar risks
- Fronting insurer and/or reinsurance arrangements that support a recommendation

31.28 Manufactured Housing Communities (07/15/25)

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

Generally, any improvements owned by the Borrower must be insured against loss or damage from relevant perils including fire, wind, hail, flood, and other related perils within the scope of a "Special Causes of Loss" or "All Risk" policy, in an amount not less than the IV of the improvements, per Section 31.5. In addition, the Borrower must carry business income/rental value insurance for all relevant perils attributable to the Property per Section 31.6.

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

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

Multifamily Seller/Servicer Guide

Chapter 32

Final Delivery Requirements



Final Delivery Requirements	
32.1 General final delivery requirements (08/25/26)	32.11 Preparing for purchase (09/01/16)
32.2 Warehouse Mortgage delivery (05/05/17)	32.12 Wire transfer instructions (04/18/24)
32.3 Use of counsel; Loan Documents; Settlement statements; Seller's Certification of Outstanding Items; Written notices (08/25/26)	32.13 Purchase/settlement procedures (09/01/16)
32.4 Specific final delivery requirements (10/01/25)	32.14 Purchase adjustments (01/13/09)
32.5 Delivery of Initial Delivery Packages for Forward Commitments (08/25/26)	
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32.1 General final delivery requirements (~~06/23~~08/25/26)

32.1(a) Forms (08/25/26)	32.1(g) Organization of the hardcopy Final Delivery Package (09/01/16)
32.1(b) Delivery of Final Delivery Package (05/05/17)	32.1(h) Freddie Mac's review not a waiver (05/01/14)
32.1(c) Delivery and review period; preferred funding (10/01/25)	32.1(i) Review of Mortgage prior to purchase (05/01/14)
32.1(d) Completion of documents (08/25/26)	32.1(j) Funding (10/01/25)
32.1(e) Forms for assignments and Note endorsement (10/01/25)	32.1(k) Late delivery; nondelivery (08/25/26)
32.1(f) Electronic recording (09/01/16)	

a. Forms (~~09/01/16~~08/25/26)

All of the Loan Documents, Final Delivery Tables of Contents, and Final Delivery Instructions referenced in this chapter are available at mf.freddiemac.com/lenders/purchase.

Final Delivery Table of Contents refers to ~~either of the following, as applicable:~~

~~the~~ Final Delivery Package Immediate Cash Loan and TAH Unfunded Forward Cash at Conversion Table of Contents.

~~• Final Delivery Package Table of Contents Small Loan Purchase Product~~

Final Delivery Instructions refers to ~~either of the following, as applicable:~~

Final Delivery Instructions – Immediate Cash and TAH Unfunded Forward Cash at Conversion.

~~• Final Delivery Instructions – Small Balance Loan Purchase Product~~

b. Delivery of Final Delivery Package (05/05/17)

The Seller must deliver to Freddie Mac, at the Seller's expense, the Final Delivery Package. For all programs and products, the Seller must deliver the Final Delivery Package to *Multifamily Purchase*. Each delivery of a Mortgage to Freddie Mac must comply with the requirements of this chapter, the chapter for the applicable purchase program or product, and the applicable Final Delivery Instructions.

The “Final Delivery Package” consists of:

- The electronic delivery portion of the Final Delivery Package, which consists of documents delivered electronically to *Multifamily Purchase* by uploading such documents into the Document Management System (DMS). For identification of the documents comprising the electronic delivery Final Delivery Package, see the applicable Final Delivery Table of Contents. For guidance on how to deliver documents via DMS, see the document mapping in the Final Delivery Table of Contents.



- The hardcopy delivery portion of the Final Delivery Package, which consists of items delivered to *Multifamily Purchase* in their original hardcopy form. For identification of the documents comprising the hardcopy delivery portion of the Final Delivery Package, see the applicable Final Delivery Table of Contents.

Certain documents required to be included in the Final Delivery Package must be included in both the electronic delivery portion and the hardcopy delivery portion as specified in the Final Delivery Table of Contents.

Freddie Mac will accept delivery of the Note directly from the warehouse lender, and will accept electronic deliveries and hardcopy deliveries received at separate times, but Freddie Mac does not deem a Final Delivery Package to be complete until Freddie Mac has received both the electronic and the hardcopy delivery portions of such package. Note that required electronic documents must all be uploaded to DMS before hardcopy documents arrive at Freddie Mac.

When delivering hardcopy documentation without a Final Delivery Table of Contents, a completed [Multifamily Document Transmittal Form](#) must be attached. In the case of deliveries of a pool of Mortgages (more than one Mortgage from the same Borrower or related Borrowers), the Seller must coordinate all deliveries so that the electronic and hardcopy delivery portions are received on the same date.

c. Delivery and review period; preferred funding (10/01/25)

1. The Seller must deliver the Final Delivery Package no later than noon Eastern time on the Mandatory Delivery Date identified in the applicable Purchase Contract.

A delivery notification email must be sent to MF_Delivery_Notification@freddiemac.com with the Freddie Mac Loan Number, Property Name, Counsel name and tracking number within 24 hours of expected receipt. The original documents must be delivered in a one inch red-well folder.

2. The Seller must request in writing its preferred funding date (no earlier than 10 calendar days from the date on which Freddie Mac receives the Final Delivery Package and no later than the Mandatory Funding Date) by insertion of the preferred funding date on the applicable blank on the Final Delivery Table of Contents. If the Seller fails to provide a preferred funding date, funding will occur once review is completed, but no later than the Mandatory Funding Date.
3. Freddie Mac will commence review of the Final Delivery Package upon receipt. The Seller should plan for funding on the Seller's requested preferred funding date, as long as that date is at least 10 calendar days after the date on which Freddie Mac receives the Final Delivery Package and no later than the Mandatory Funding Date.

d. Completion of documents (~~10/01/25~~08/25/26)

1. Identification of documents

The Loan Document revision date must appear on each Loan Document.

2. Completion of blanks by the Seller



The Seller must complete each blank in a Loan Document or other form required by Freddie Mac with the information specified by Freddie Mac, with "n/a," or with a cross-reference to the applicable modification Exhibit, as applicable. If the Purchase Contract or the Guide does not specify how a blank is to be completed, the Seller must contact the applicable Freddie Mac Multifamily Regional Office for instructions.

- ~~The Applicable Freddie Mac Multifamily Regional Office for instructions, for non-SBL Mortgages~~
- ~~The Multifamily Small Balance Loan Team, for SBL Mortgages~~

3. **Required changes**

The Seller must do all of the following:

- Make any changes to the Loan Documents that are:
 - Required in writing by Freddie Mac
 - Required by the applicable Mortgage purchase program or product
 - Listed in the Authorized Changes to the Multifamily Loan Documents
- Add the signature block and any required witness signature lines and/or acknowledgments, in the form required by applicable law
- Include any changes to the format of the Loan Documents (for example, paper size, fonts, spacing) that are required by applicable laws

4. **Permitted Changes**

The Seller may add a table of contents, change the pagination and/or make changes to the font, paper size and other aspects of the Loan Documents. The Seller must ensure that any such permitted changes comply with the requirements of applicable law.

5. **Method for making changes**

The Seller must make all authorized and required changes on the appropriate modification exhibit to the document, and must mark the applicable box on the document to indicate such an exhibit is attached. The Seller may not make any changes to the Loan Documents by altering the text of the body of the document, except that modifications may be made directly to the text of the body of Riders to Loan Documents so long as such modifications are clearly identified by intentionally showing stricken-through (deleted) text and underlined (new) text.

e. **Forms for assignments and Note endorsement (10/01/25)**

Freddie Mac requires that the Seller assign to Freddie Mac certain documents in addition to the Security Instrument (for example, the Loan Agreement and the Guaranty) and endorse the Note to Freddie Mac.

1. **Omnibus Assignment**



Freddie Mac requires the Seller to use the Freddie Mac Omnibus Assignment for all documents required to be assigned to Freddie Mac under the Guide or the Purchase Contract (other than recorded documents and the Note).

2. Note Endorsement

- The Note must bear an endorsement to Freddie Mac in the following form:

PAY TO THE ORDER OF THE FEDERAL HOME LOAN MORTGAGE
CORPORATION WITHOUT RECOURSE

(Name of Seller-endorser)

(Signature of duly authorized officer)

(Typed name and title of signatory)

- Do not date the Note endorsement. The Note endorsement may appear on an allonge to the Note if the Freddie Mac loan number appears on the allonge and the allonge is attached to the Note.
- To the extent provided in the Uniform Commercial Code (UCC), the Note endorsement “without recourse” may limit Seller/Service’s obligation, as endorser under the UCC, to pay amounts due under the Note upon default by Borrower but will not affect Seller/Service’s repurchase obligations under the Purchase and Servicing documents.
- Any chain of endorsements must be complete from the original lender shown on the Note to Freddie Mac.

f. **Electronic recording (09/01/16)**

The Seller must electronically submit for recording or filing all Mortgage documents required to be recorded or filed if the applicable recording office accepts electronic recordings and/or filings.

g. **Organization of the hardcopy Final Delivery Package (09/01/16)**

With respect to the hardcopy portion of a Final Delivery Package, the Seller must deliver all of the applicable documents (except the Note delivered by a warehouse lender) along with the electronic versions in the following manner:

- Deliver an accordion folder (sometimes referred to as a redwell folder) labeled with the Seller’s name, Freddie Mac loan number, property name, and identified as the Final Delivery Package, with all documents adequately secured. The Seller must fasten each multipage document with a staple (with the exception of the Note and the Loan Agreement, which must be clipped). The Seller must not insert any loose documents or use rubber bands to hold any documents together;
- Arrange the documents in the order listed in the applicable Final Delivery Table of Contents, with the first listed item on top, the second item below it and so on; and



- Include the applicable Final Delivery Table of Contents, which identifies the titles of the documents included, and tabs to mark each item. If a document listed in the Final Delivery Table of Contents is not applicable, “N/A” must be noted on the Final Delivery Table of Contents. No such corresponding blank documents may be delivered or uploaded as part of the Electronic Delivery Package.

h. Freddie Mac's review not a waiver (05/01/14)

Freddie Mac's review of submitted documents will not discharge or limit the Seller's liability for breach of any warranties made under the Purchase and Servicing Documents. Further, the fact that Freddie Mac has prescribed a form for a particular document does not relieve the Seller of its obligation to ensure that all documents comply with and are enforceable under applicable law. If the Seller doubts such compliance or enforceability with respect to a particular document, an attorney who represents the Seller must contact the applicable Freddie Mac *Multifamily Attorney* for instructions.

i. Review of Mortgage prior to purchase (05/01/14)

Before the Freddie Mac Funding Date, Freddie Mac may, in its discretion, refuse to purchase any Mortgage if it determines any of the following:

- The Mortgage is not of investment quality
- The Seller has failed to satisfy or has breached any of the provisions of the Purchase and Servicing Documents
- Any of the Seller's warranties or representations to Freddie Mac are untrue
- Any information provided by or on behalf of the Borrower is untrue, incomplete or misleading

If Freddie Mac declines to purchase a Mortgage for any of the reasons set forth above, it will retain any application fees paid to it and will treat the situation as a non-delivery of the Mortgage.

j. Funding (10/01/25)

After Final Delivery, Freddie Mac will review the Final Delivery Package and set the Freddie Mac Funding Date as the date requested by the Seller on the Final Delivery Table of Contents, subject to the limitations set forth in Section 32.1(c)(3). Freddie Mac will make payment on the requested date provided the conditions set forth in the Purchase Contract, the applicable product chapters, and the Final Delivery Instructions, have been satisfied.

k. Late delivery; nondelivery (~~06/23~~08/25/26)

Late delivery and nondelivery provisions are found in the following sections:

- Sections 27.24(a), 27.24(c) and 27.26, for Mortgages delivered under the standard delivery option

- Sections 27.24 and 27.26, for Mortgages delivered under the early rate lock delivery option
- Sections 17A.14 and 19A.16, for Mortgages delivered under a Forward Commitment

~~For SBL Mortgages, late delivery and nondelivery provisions are found in Chapter 18 SBL.~~

Multifamily Purchase may, in its discretion, assess a late fee for Final Delivery Packages received after the Mandatory Delivery Date. The late fee will be calculated by *Multifamily Purchase* as a per diem, using the interest rate set forth in the Note.

32.2 Warehouse Mortgage delivery (05/05/17)

For Mortgages that are subject to a security interest of a warehouse lender, the Final Delivery Package must include a properly completed, dated and executed [Form 987M, Wire Transfer Authorization – Cash Warehouse Delivery](#), attached to a properly completed and executed [Form 996M, Warehouse Lender Release of Security Interest](#), as required by Chapter 33. When delivering hardcopy documentation without a Final Delivery Table of Contents, a completed [Multifamily Document Transmittal Form](#), available at mf.freddiemac.com, must be attached.

32.3 Use of counsel; documents for final delivery; settlement statements (04/2108/25/26)

32.3(a) Use of counsel (08/25/26)	32.3(d) Seller's Certification of Outstanding Items (10/01/25)
32.3(b) Loan Documents (08/15/24)	32.3(e) Written notices (08/15/24)
32.3(c) Settlement statements and related documentation (12/16/25)	32.3(f) Chain of title (10/21/25)

Unless indicated otherwise in the applicable section or subsection, references in this chapter to “Mortgage” ~~refer to non-SBL Mortgages, SBL Mortgages and includes~~ TELs, and references to “counsel” refer to Seller/Service’s counsel ~~for non-SBL Mortgages and/or~~ Single Counsel for ~~SBL Mortgages and~~ TELs.

By its delivery of the Final Delivery Package to Freddie Mac, the Seller/Service will be deemed to represent and warrant to Freddie Mac that it has complied with the requirements of this section.

a. Use of counsel (08/15/2425/26)

1. For each ~~non-SBL~~ Mortgage submitted to Freddie Mac for purchase, an attorney who represents the Seller and who has the qualifications and experience required by Section 6.2 must:
 - Perform the tasks required by Chapter 6 and this chapter
 - Prepare and/or review all legal documents
2. For each ~~SBL Mortgage or~~ TEL submitted to Freddie Mac for purchase, Single Counsel who represents the Seller and Freddie Mac must:



- ~~• For each SBL Mortgage, perform the tasks required by Chapter 6SBL and this chapter~~
- ~~For each TEL, perform~~Perform the tasks required by Chapter 25 or 25A, as applicable, and this chapter
- Prepare and/or review all legal documents

b. Loan Documents (08/15/24)

1. The Seller must originate the Mortgage using the form documents listed in the applicable Currently Acceptable Multifamily Loan Documents accessed at mf.freddiemac.com/lenders/legal. Each form used must have been listed on mf.freddiemac.com during the period between the date the Letter of Commitment is issued (or the early rate-lock application is submitted by the Seller) and the Origination Date, unless otherwise approved in writing by Freddie Mac.
2. A Seller may:
 - Provide its counsel with the appropriate Loan Documents that the Seller has obtained directly from mf.freddiemac.com, or
 - Instruct its counsel to obtain the appropriate Loan Document directly from mf.freddiemac.com.

Regardless of the method used by the Seller's counsel to obtain the Loan Documents, the Seller will be responsible for making the absolute warranty set forth in Section 5.2(c).

c. Settlement statements and related documentation (12/16/25)

The Final Delivery Package for the Borrower must include the following, which must comply with the most current version of [Freddie Mac's "Closing Documentation Guidelines"](#) posted with the Loan Documents:

- A copy of the final executed settlement statement for the Borrower;
- A copy of any final executed Property seller-side settlement statements pertaining to the acquisition of the Property;
- A copy of any closing statements and escrow instructions letters provided by Seller or Seller's counsel to the party/parties conducting the Funding Functions and Escrow Functions for the transaction; and
- A receipts and disbursements ledger for the transaction (for the Mortgage and, if applicable, the acquisition of the Property (or ownership interests)) (or other written evidence from the Title Company) together with evidence of all corresponding wires or checks received or sent with respect to the Mortgage or any acquisition.

d. Seller's Certification of Outstanding Items (10/01/25)

All items required to be reviewed and approved by Freddie Mac prior to loan origination or prior to loan purchase as noted in the Purchase Contract must be listed in the Seller's



Certification of Outstanding Items, and to the extent approval from Freddie Mac has not been received by Seller for any such items at the time the Certification is executed, Seller must identify such items on the Certification.

e. Written notices (08/15/24)

Copies of all written notices that Seller/Service's legal counsel has determined must be and/or are generally advisable to be provided to third parties under any documents, instruments or agreement, recorded or unrecorded, affecting the Property in connection with the origination of the Mortgage and/or the subsequent assignment of the Mortgage to Freddie Mac, must be included with the Final Delivery Package. This includes for the purpose of entitling the Seller and/or Freddie Mac, each in its capacity as a mortgagee of the Property, to any legal rights under such documents, instruments or agreements.

f. Chain of title (04/21/26)

An informational report from the Title Company including copies of all documents evidencing the chain of title for the Property for the 36-month period preceding Mortgage origination (or alternatively, the date of such report as specified and subject to the conditions in the [Seller's Counsel's Certification](#)) must be included with the Final Delivery Package. This must include copies of any deeds transferring all or any portion of the Property, copies of any tax affidavits pertaining to all or any portion of the Property, and copies of any Security Instruments encumbering all or any portion of the Property, for such 36-month period.

Seller/Service must review and analyze the chain of title described above (including both the actual documents and any accompanying report from the Title Company) and obtain Freddie Mac's approval for any inconsistencies with the Underwriting Package, any evidence of non-arms' length transactions, or any other irregularities or inconsistencies that would be of material interest to a prudent lender.

For acquisition Mortgage origination transactions, Seller/Service must also review the fully executed deed or other conveyance document reflecting the sale of ownership interests, as applicable, to confirm that such documents match the draft documents previously provided by Borrower, that the signature blocks align with the parties and signature blocks in the Purchase Agreement, and that such documents do not show any indication of an intervening, unexplained transfer or indication of any affiliation between the property seller and Borrower that has not previously been disclosed and approved by Freddie Mac. If such review reveals any inconsistencies with the information contained in the Purchase Agreement Analysis, Seller/Service must deliver an updated Purchase Agreement Analysis and obtain Freddie Mac's approval of such updated analysis.

32.4 Specific final delivery requirements (10/01/25)

In addition to the general requirements set forth in this chapter, more specific delivery requirements are set forth in the Final Delivery Instructions and the Purchase Contract.

32.5 Delivery of Initial Delivery Packages for Forward Commitments ~~for non-SBL Mortgages (09/01/16)~~ (08/25/26)

For all Forward Commitment products, the Seller must submit the Initial Delivery Package to *Multifamily Purchase* in accordance with the Final Delivery Instructions – Forward Commitment

Initial Delivery. Final Delivery Packages for all Forward Commitment products must be submitted in accordance with the Final Delivery Instructions – Cash and Bonds.

32.6 Reserved (05/01/14)

32.7 Reserved

32.8 Reserved

32.9 Reserved

32.10 Reserved

32.11 Preparing for purchase (09/01/16)

32.11(a) File identification prior to funding (05/01/14)	32.11(c) Purchase price (05/01/14)
32.11(b) Updated verification of the UPB (09/01/16)	

a. File identification prior to funding (05/01/14)

When a Seller delivers a Mortgage to Freddie Mac for purchase, the Seller must note on the Loan Documents and accounting records retained in the Seller's file that Freddie Mac may purchase the Mortgage. Because Freddie Mac may reject a Mortgage before purchase, the Seller must not transfer the Mortgage to a Freddie Mac portfolio designation until Freddie Mac has purchased the Mortgage.

b. Updated verification of the UPB (09/01/16)

When Freddie Mac advises the Seller that it will purchase the Mortgage, the Seller must confirm the current UPB via email to *Multifamily Purchase*.

c. Purchase price (05/01/14)

Freddie Mac determines its purchase price for a Mortgage based on the UPB set forth in the Seller's email verification of the UPB plus the purchase interest (the interest due from the first day of the month in which Freddie Mac will purchase the Mortgage until the day prior to the settlement date minus the Servicing Spread) plus or minus any applicable discount or premium.

32.12 Wire transfer instructions (04/18/24)

32.12(a) Authorization documentation (02/16/23)	32.12(b) Multifamily Wire Transfer Authorization (04/18/24)

Before instructing Freddie Mac to make a wire transfer to an account, a Seller must ensure that the account is eligible to receive direct wire transfers. The Seller must submit to Freddie Mac *Multifamily Cash Management* the documentation required by Section 32.12(a) and 32.12(b).

Settlements cannot be made if such documentation is not on file with Freddie Mac and in compliance with Sections 32.12(a) and 32.12(b).

a. Authorization documentation (02/16/23)

The Seller must identify the individuals authorized to provide wire transfer instructions to Freddie Mac on behalf of the Seller (the “authorized individuals”) by submitting the applicable “authorization documentation” (below) to Freddie Mac <i>Multifamily Counterparty Risk & Compliance</i>.		
Authorization Documentation		
For a corporation submit a completed:	For a sole proprietorship or a partnership submit a completed:	For a limited liability corporation submit a completed:
Certificate of Corporate Secretary (Freddie Mac Form 989M) with Board resolution attached to Form 989M as Exhibit A	Certificate of Authorized Representative (Freddie Mac Form 988M) with resolutions from the governing body that is empowered to legally bind the Seller attached to Form 988M as Exhibit A, if applicable.	Certificate of Limited Liability Company Secretary/Authorized Representative (Freddie Mac Form 990M) with resolutions from the managers/members who are empowered to legally bind the Seller attached to Form 990M as Exhibit A

Freddie Mac will not accept wire transfer instructions or modifications to the authorization documentation executed by anyone other than an authorized individual.

Once Freddie Mac has received the executed authorization documentation, Freddie Mac will contact one or more of the individuals authorized to provide wire transfer instructions to Freddie Mac to confirm the accuracy of the wire instructions provided to Freddie Mac via the [Form 483](#) or company letterhead, as applicable.

Freddie Mac will retain the authorization documentation on file. The Seller may contact *Multifamily Counterparty Risk & Compliance* to view the authorization documentation on file.

Freddie Mac requests that the Seller recertify its authorization documentation annually on the Multifamily Annual Certification Report ([Form 16M, Annual Eligibility Certification Report, or Form 17M, Multifamily Annual Certification Report Structured Transaction & Tax-Exempt Bond Seller/Service](#)), as applicable) confirming that the authorization documentation on file with Freddie Mac remains in full force and effect and that there are no changes to the individuals authorized to provide wire transfer instructions to Freddie Mac.

The Seller may not wait for a recertification request to notify Freddie Mac of any changes in its authorized individuals or wiring instructions. The Seller must notify Freddie Mac of any changes in its authorized individuals or wiring instructions within five Business Days of the change taking place. Freddie Mac *Multifamily Cash Management* will periodically contact the authorized individuals to verify the wire instructions on file. *Multifamily Cash Management* will send such validation requests via secure email.



Settlements cannot be made if Freddie Mac does not have on file a current certification or authorization documentation. The Seller can change, delete or add new authorized individuals only by submitting new authorization documentation. Freddie Mac requires five Business Days to process any such changes.

b. Multifamily Wire Transfer Authorization (04/18/24)

The Seller must submit to Freddie Mac *Multifamily Cash Management* the following forms:

- A completed [Form 483M, Wire Transfer Authorization](#), executed by an authorized individual, as defined in Section 32.12(a), to represent the Seller's legal authorization to instruct Freddie Mac to wire transfer funds to a designated bank
- A completed, current version of the IRS Form W-8 or W-9, as applicable, for the Seller and for each entity in the transaction that will receive funds directly from Freddie Mac via wire transfer (e.g., warehouse lender, Title Company, etc.)

The Seller can change or add new wire transfer instructions only by submitting a newly executed and properly authorized [Form 483M](#) and a Form W-8 or W-9, which does not need to be newly executed as long as it is the latest version of the W-8 or W-9 available from the IRS. Freddie Mac will not accept wire transfer instructions submitted in any other manner. Freddie Mac requires at least five Business Days to process such a change.

See Section 33.4 for information regarding wire transfer instructions for the purchase by Freddie Mac of Mortgages subject to the security interest of a warehouse lender.

32.13 Purchase/settlement procedures (09/01/16)

32.13(a) Multifamily Loan Purchase Statement (09/01/16)	32.13(b) Receipt of funds (05/01/14)

a. Multifamily Loan Purchase Statement (09/01/16)

After reviewing the Final Delivery Package, and prior to the purchase funds being sent, Freddie Mac will generate and send via email to the Seller the Multifamily Loan Purchase Statement, which includes a computation of the amount to be funded to the Seller as well as a statement of the percentage of participation purchased by Freddie Mac.

b. Receipt of funds (05/01/14)

Freddie Mac will advise the Seller of the scheduled Freddie Mac Funding Date. Freddie Mac initiates each wire transfer in sufficient time for the funds to be credited to the Seller's account on the scheduled Freddie Mac Funding Date. It is the Seller's responsibility to call its bank to confirm receipt of the funds. If the funds have not been credited to the account by the morning of the next Business Day, the Seller must contact the applicable *Multifamily Purchase Manager*.



32.14 Purchase adjustments (01/13/09)

If the Seller has any questions regarding the purchase balance before the funding of a Mortgage or purchase adjustments after the funding of a Mortgage, the Seller must contact the applicable *Multifamily Purchase Manager*.

~~32.15 SBL collateral (09/01/16)~~

~~For SBL Mortgages, the Seller must deliver the collateral required under Chapter 46 SBL in accordance with all requirements set forth in that chapter.~~

Multifamily Seller/Servicer Guide

Chapter 39

Administration of Reserves; Monitoring Repairs



Administration of Reserves; Monitoring Repairs	
39.1 General requirements for the administration of Reserves and monitoring repairs (02/29/16)	39.6 Replacement Reserve Servicing (02/24/26)
39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges (10/19/23)	39.7 Rental achievement Reserve Servicing (09/18/14)
39.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements (10/12/17)	39.8 Special Purpose Reserve Servicing (10/14/16)
39.4 Required repairs, Utility Efficiency Improvements, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier or dated on or after 07-30-2024 (08/25/26)	39.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (12/15/22)
39.5 Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 (08/25/26)	39.10 Servicing a Mortgage with a Utility Efficiency Loan or Green Up® loan option (12/16/25)



39.1 General requirements for the administration of Reserves and monitoring repairs (02/29/16)

39.1(a) Delivery of documents and notices to Freddie Mac (02/29/16)	39.1(b) Reserve Custodial Accounts (05/01/14)

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.

39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges (10/19/23)

39.2(a) Reserve requirements (04/30/19)	39.2(c) Requirements when Reserves are not collected (10/19/23)
39.2(b) Annual certification (02/06/17)	

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. See Section 31.2(c) for additional information regarding Reserves for insurance premiums.
 - 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
2. 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.
3. 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
4. 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
5. 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.
6. 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.
7. 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.
8. 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.

9. 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 canceled 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.

39.439.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements (10/12/17)

39.3(a) Reserve requirements (10/12/17)	39.3(c) Investment of funds (10/14/16)
39.3(b) Recordkeeping (10/14/16)	39.3(d) Annual certification (02/06/17)

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.

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.

39.539.4 Required repairs, Utility Efficiency Improvements, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier or dated on or after 07-30-2024 (~~02/24~~08/25/26)

39.4(a) Monitoring and timely completion of repairs (08/25/26)	39.4(d) Requiring a Borrower to fund an unfunded Repair Reserve upon default (06/25/20)
39.4(b) Incomplete repairs, partially completed repairs and extension requests (02/24/26)	39.4(e) Prohibited actions by the Servicer (09/18/14)
39.4(c) Disbursement from Repair Reserve (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 or dated on or after 07-30-2024. See Section 39.5 for all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015 or before 07-30-2024.

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 other agreement involving repairs or improvements to the Property will be referred to as a “Repair Agreement.”

a. Monitoring and timely completion of repairs (~~12/16~~08/25/26)

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 via PRS within 30 calendar days of the completion date that the Borrower is on track to complete all repairs by the due date. The Servicer must include evidence in PRS of the Borrower’s intention to complete repairs. Such evidence may include an executed repair contract, estimate for repair work, or itemized progress of repair work.

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 repairs classified as Utility Efficiency Improvements or Green Improvements as applicable, this notification must be on the Utility Efficiency Improvement Verification Certification or 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 applicable Verification Certification within 30 days of completion of the applicable improvements. The Verification Certification must provide the following:



- The date of completion of the improvements
 - The specifications of the completed 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 applicable Verification Certification to Freddie Mac via DMS
1. 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.
 2. 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-1766.18~~, 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.

3. 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.
4. If the Servicer receives an Energy Certification from the Borrower for Utility Efficiency Improvements or 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](mailto:Green_Advantage_Reporting@freddiemac.com).



If requested by Freddie Mac for Utility Efficiency Improvement or 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 applicable improvements. If Freddie Mac no longer owns the Mortgage, the Servicer must submit this information to [Green Advantage Reporting@freddiemac.com](mailto:Green_Advantage_Reporting@freddiemac.com).

b. Incomplete repairs, partially completed repairs and extension requests (02/24/26)

If it becomes apparent to the Servicer that all required repairs will not be completed by the applicable completion date, or the required repairs are not complete within 30 days of 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

- a. At least 30 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, which must be submitted to PRS. In addition, the Servicer (or its permitted delegee) must submit an extension request, if appropriate, for incomplete repairs as described in Section 39.4(b)(3) or (4), as applicable. If processing an extension request, the Servicer must add an update comment to PRS that an extension request will be submitted. Upon approval of the extension request, the Servicer must update PRS with approval information, indicating that approval has been reflected in the Consent Request Tracker (“CRT”).
- b. 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 30 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.
 - Servicer's recommendation for resolving the matter, which must include evidence in PRS of Borrower intent to complete repairs. Such evidence may include an executed repair contract, estimate for repair work, or itemized progress of repair work.
 - Notwithstanding Section 39.4(b)(1)(a) or (b) above, at least 10 days prior to the applicable completion date, for any repairs that remain outstanding, the Servicer must evaluate whether an extension is appropriate. If appropriate, the Servicer (or its permitted delegee) 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. Upon approval of the extension request, the Servicer must update



PRS with the approval information, indicating that approval has been reflected in the Consent Request Tracker.

2. Extension requests that the Servicer is permitted to approve

For purposes of this chapter, the following term is defined as follows:

Retained Authority. Notwithstanding satisfaction of a Servicer Delegation Requirement, Freddie Mac will retain approval authority over requests for a Mortgage:

- Originated under the:
 - Preservation Rehabilitation product,
 - Acquisition Rehabilitation product,
 - Acquisition Upgrade product,
 - Moderate Rehabilitation product, or
 - REO purchase and stabilization product.
- Securing a bond or loan deposited in a Freddie Mac Multifamily M Certificates securitization (TEBS) prior to December 31, 2025.
- For which Freddie Mac provides secondary market credit enhancement, and in any such case, stabilization as determined by Freddie Mac has not been achieved.
- a. For a Repair Agreement with repairs that have a completion date of less than 365 days, the Servicer is delegated authority to approve an extension of the completion date of a Repair Agreement only if a Servicer Delegation Requirement has been satisfied and each of the following conditions are satisfied:
 - i. The required repairs pose no life, health or safety issues
 - ii. The remaining repairs represent no more than the lesser of \$500,000 or five percent of the UPB
 - iii. 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
 - iv. There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact
 - v. The Property condition was rated not less than “3” (Fair or better) as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting
 - vi. The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension



- vii. The Servicer has not previously authorized an extension of the completion date
 - viii. The Mortgage:
 - Has a Risk Rating of six or less, and, if in a Securitization and Freddie Mac is the master servicer, is not on the CREFC Watchlist,
 - Is not in default,
 - Is not subject to Retained Authority by Freddie Mac, and
 - Has no additional investors who have provided credit enhancements other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower
 - ix. 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](#) form
- b. Notwithstanding the requirements of 39.4(b)(2)(a), if the Mortgage was originated as part of the SBL program and a Servicer Delegation Requirement has been satisfied, the Servicer may approve an extension only if all of the following conditions are met:
- i. The required repairs pose no life, health or safety issues
 - ii. The remaining repairs represent no more than five percent of the UPB
 - iii. 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
 - iv. There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact
 - v. The Property condition was rated not less than "3" (Fair or better) as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting
 - vi. The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension
 - vii. The Servicer has not previously authorized an extension of the completion date
 - viii. The Mortgage:
 - Has a Risk Rating of six or less
 - Is not in default
 - ix. 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](#) form



- c. For a non-SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(a) 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 such 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)(b) 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 such Mortgage.

- d. 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 creating a record in CRT with the selection that Freddie Mac approval is not required due to the specified Servicer Delegation Requirement being satisfied.

The Servicer must update the respective Loan Item Tracking in PRS, and electronically submit the following to Freddie Mac via DMS:

- The [Repair/Rehab Agreement Extension/Modification Request](#) form
- 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:

- Enter the extension request into CRT. The CRT record should be created with the selection that Freddie Mac approval is required.
- 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.

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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:

- 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 10 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 and upload a copy to the Document Management System (DMS). 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 (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 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 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:

- i. Charge a one-time fee in excess of the amount set forth in [Exhibit 10](#) for establishing the Repair Reserve
- ii. 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
- iii. Make disbursements from the Repair Reserve to any party other than the Borrower, except as permitted by Section 39.4(c)
- iv. 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
- v. Exercise the right of the lender under the Repair Reserve Agreement to perform any capital replacement
- vi. 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
- vii. 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
- viii. Approve any modifications to the Repair Agreement except as permitted by Section 39.4(b)(2)

39.739.5 Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 or before 07-30-2024 (08/15/2425/26)

39.5(a) Monitoring and completion of Priority Repairs (08/25/26)	39.5(d) Reserved (10/14/16)
39.5(b) Reserved (10/14/16)	39.5(e) Prohibited actions by the Servicer (10/14/16)
39.5(c) Disbursement from Replacement Reserve Fund for Priority Repairs (10/14/16)	

This Section 39.5 applies to all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015 or before 07-30-2024. See Section 39.4 for all SBL Mortgages with Loan Agreement forms with revision dates on or before 11-02-2015 or on or after 07-30-2024.

a. Monitoring and completion of Priority Repairs (08/15/2425/26)

1. 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 Loan Item Tracking (LIT) entries in PRS that capture the Priority Repairs and PR-90 Repairs identified on [Form 1104, Form 1104](#). Within 30 calendar days of deeming any Priority Repair or PR-90 Repair item to be complete, the Servicer must update the respective PRS LIT accordingly.
2. 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. 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 and upload a copy to the Document Management System (DMS).

The Servicer must follow up and work closely with the Borrower on any outstanding Priority Repair items and any other Life Safety Hazards until they are remediated or resolved.
3. 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-1766.18~~. 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.

4. 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)

1. 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.
2. 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:

- i. Charge a fee for establishing the Replacement Reserve Fund
- ii. 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
- iii. Make disbursements from the Replacement Reserve Fund to any party other than the Borrower, except as permitted by Section 39.5(c)
- iv. 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
- v. Exercise the right of the lender under the Loan Agreement to perform any capital replacement
- vi. 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
- vii. 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

39.939.6 Replacement Reserve Servicing (02/24/26)

39.6(a) Funded Replacement Reserves (06/13/24)	39.6(d) Unfunded Replacement Reserves with required capital expenditures (04/30/19)
39.6(b) Disbursements for additional capital replacement items (07/01/14)	39.6(e) Prohibited actions by the Servicer (09/18/14)
39.6(c) Requiring a Borrower to fund an unfunded Replacement Reserve (05/01/14)	39.6(f) Mortgages with terms longer than 10 years (02/24/26)

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 (06/13/24)

The Servicer is responsible for authorizing releases from the Replacement Reserve and for obtaining from the Borrower copies of canceled checks, bills, 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 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:
 - i. The Property secures a Mortgage that has a Risk Rating of six or less and is not in default.
 - ii. The disbursement is for capital replacement items that are upgrades which add value to and prevent an adverse condition at the Property.
 - iii. A supervisor or higher-level manager on the Servicer's staff has approved the disbursement for the additional capital replacement items.
 - iv. 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](#) form, 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)

1. 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

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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.
2. 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:
- a. The Property secures a Mortgage that has a Risk Rating greater than six or is in default
 - b. 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
 - c. There are significant outstanding Deferred Maintenance issues, or the Borrower is out of compliance in an amount that exceeds 20% of the required expenditures
 - d. There are additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower, or Affiliates of the Borrower)
 - e. 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 (02/24/26)

1. 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.
2. 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.
3. 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.
4. Replacement Reserve reviews

a. Replacement Reserve reviews that the Servicer is permitted to approve

The Servicer is delegated authority to approve modifications to the Replacement Reserve requirements only if a Servicer Delegation Requirement has been satisfied; provided, however, the Servicer will not have delegated authority under this paragraph if the subject Mortgage:



- is in a Securitization where Freddie Mac is the named master servicer, but the Directing Certificateholder (or Directing Party) is not Freddie Mac, or
- is subject to Retained Authority by Freddie Mac.

Subject to the foregoing paragraph, if a Servicer Delegation Requirement has been satisfied, the Servicer is delegated authority to approve modifications to the Replacement Reserve requirements without submitting a consent request to Freddie Mac, provided all of the following conditions are met:

- The Mortgage has a Risk Rating of six or less (and if securitized, is not on the watchlist), has a UPB of less than \$30 million, and is not in default.
- The Property Condition Report (PCR) (or SBL Physical Risk Report (PRR), for SBL Mortgages) must have been completed within six (6) months of the modification request date and within six (6) months of the required review date.
- The PCR must analyze capital needs for the correct number of years (i.e., lesser of remaining loan term plus 2 years or 10-years plus 2-years); this requirement does not apply to SBL Mortgages.
- The PCR (or PRR, as applicable) must identify the overall Property condition as “Good” or better.
- No Critical or PR-90 (including Life Safety) repairs may be identified in the PCR (or PRR, as applicable).

The Servicer’s recommendation regarding Replacement Reserve modifications must align with the findings of the PCR (or PRR, as applicable). The Servicer may not recommend a reduction in Replacement Reserve deposits when the PCR (or PRR, as applicable) and existing escrow indicate that deposits should remain the same, nor recommend that deposits remain the same when the PCR (or PRR, as applicable) and escrow analysis indicate an increase is warranted.

b. Notification and documentation requirements

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 creating a record in CRT with the selection that Freddie Mac approval is not required due to the specified Servicer Delegation Requirement being satisfied and electronically submitting to Freddie Mac via DMS the following:

- The General Servicing Request form and all supporting documentation.
- A copy of the approval letter that the Servicer sent to the Borrower
- Copies of any modified loan documents.

If any of the above conditions are not met—including, but not limited to, cases where the overall Property condition is “Fair” or worse, or the Servicer’s recommendation does not align with the PCR and escrow analysis—the Servicer must submit a formal request for Freddie Mac’s consent prior to approving any modifications to the Replacement Reserve requirements as outlined in Section 39.6(f)(4)(c) below.

c. Submitting modification requests requiring Freddie Mac approval

Freddie Mac approval is required for all modifications of Replacement Reserves with respect to any Mortgage not described in Section 39.6(f)(4)(a). If the Servicer is submitting a modification request for Freddie Mac approval, the Servicer must take the following actions:

- i. Enter the modification request into CRT. For Consent Request Category, select Escrow Extensions / Modifications. For Consent Request Type, select Replacement Reserve Modification. The CRT record should be created with the selection that Freddie Mac approval is required.
 - ii. Electronically deliver the General Servicing Request form, including any necessary supporting documentation including but not limited to updated property condition report and analysis of Replacement Reserves.
5. 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.

39.1039.7 Rental achievement Reserve Servicing (09/18/14)

39.7(a) Monitoring of Property performance; requests for release or reduction of Reserve funds (09/18/14)	39.7(d) Failure of Property to meet performance standard; application of collateral (10/31/12)
39.7(b) Extension of earn-out expiration date (09/18/14)	39.7(e) Prohibited actions by the Servicer (10/31/12)
39.7(c) Servicer’s notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)	

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](#) form, 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

39.1139.8Special Purpose Reserve Servicing (10/14/16)

39.8(a) Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)	39.8(d) Failure of Property to meet performance standard; application of collateral (10/14/16)
39.8(b) Extension of termination date (10/14/16)	39.8(e) Prohibited actions by the Servicer (10/14/16)
39.8(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 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](#) form, 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

39.1239.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (12/15/22)

39.9(a) Servicer responsibilities (12/15/22)	39.9(c) Release of retainage and holdback amounts (05/05/17)
39.9(b) Draw calculation (05/05/17)	

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

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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:

1. 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
2. Review construction monitoring reports for accuracy, completeness and compliance with Section 63.4
3. 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
4. Confirm that the Property has met any performance metric requirement set forth in the Disbursement Servicing Agreement, typically related to net rental income
5. 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
6. 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
7. Promptly upon receipt of the disbursement funds from Freddie Mac, and no more than 10 Business Days after receipt of the Disbursement Request, make the requested disbursement to the Borrower

b. Draw calculation (05/05/17)

Projects are generally subject to a funding source split between Freddie Mac and Borrower equity. Additionally, the full portion of each draw funded by Freddie Mac is subject to a retainage. The amounts of the Freddie Mac/Borrower equity split, and retainage are detailed in the Disbursement Agreement. The amount shown in the Disbursement Certification must reflect the amount owed to the Borrower, net of the equity portion and the retainage.

Sample Draw Calculation

- The Borrower submits a Disbursement Request in the amount of \$1,300,000
- The Servicer confirms that the amount requested is appropriate and submits the Disbursement Certification to Freddie Mac. The amount submitted to Freddie Mac is the amount requested in the Disbursement Request less the Borrower's equity share of 20 percent and the retainage amount of five percent:
 - Borrower equity is subtracted first: $\$1,300,000 \text{ less } (1,300,000 * 0.20) = 1,040,000$
 - Retainage of five percent is then subtracted: $\$1,040,000 \text{ less } (1,040,000 * 0.05) = \$988,000$
- The Servicer's Disbursement Certification requests the net amount of \$988,000 for funding by Freddie Mac

c. Release of retainage and holdback amounts (05/05/17)

Upon substantial completion of the renovation project and Borrower submission to the Servicer of the documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the retainage amount, less a \$250,000 holdback.

Upon final completion of the renovation project, including completion of all remaining punch list items, and Borrower submission to the Servicer of final documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the final \$250,000 holdback balance.



39.1339.10 Servicing a Mortgage with a Utility Efficiency Loan or Green Up® loan option (12/16/25)

39.10(a) Benchmarking Metrics (12/16/25)	39.10(b) Borrower, Utility Efficiency Consultant, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (12/16/25)

Capitalized terms used but not defined in this section have the meanings given to them in the Glossary.

Utility Efficiency Improvements or Green Improvements are treated as repairs. Funds earmarked for Utility Efficiency Improvements or 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 Utility Efficiency Improvements or Green Improvements in accordance with the requirements of Section 39.4.

a. Benchmarking Metrics (12/16/25)

1. As a requirement for a Utility Efficiency Loan or Green Up® 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.
2. 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
3. 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.
4. 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 Utility Efficiency Consultant or 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
5. The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer, with respect to the on-going benchmarking process, are found in the Utility Efficiency Improvements Rider or Green Improvements Rider attached to the Loan Agreement.

b. Borrower, Utility Efficiency Consultant, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (12/16/25)

1. The Utility Efficiency Consultant or 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 Utility Efficiency Consultant or Green Consultant

The Utility Efficiency Consultant or Green Consultant must send a connection request to the Borrower through Portfolio Manager. Once the Borrower accepts the connection request, the Utility Efficiency Consultant or Green Consultant will share the Property information with the Borrower.
2. 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 time frames provided in the Loan Agreement.
3. Prior to the Origination Date, the Seller/Servicer must follow up with:
 - The Borrower and the Utility Efficiency Consultant or Green Consultant to ensure that the Borrower has access to the Property information which has been inputted by the Utility Efficiency Consultant or 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

Multifamily Seller/Service Guide

Chapter 40

Assessments and Other Post-purchase Reporting



Assessments and Other Post-purchase Reporting	
40.1 General information regarding assessments and other post-purchase reporting (07/01/25)	40.10 Late, incomplete or unacceptable assessments; penalties and enforcement (06/13/24)
40.2 Types of assessments and timing of assessments (10/17/24)	40.11 Reserved (08/26/25)
40.3 Completing and submitting the Annual Financial (04/27/18)	40.12 Freddie Mac's rights (12/12/14)
40.4 Completing and submitting the Quarterly Financial (04/27/18)	40.13 Inspector requirements (08/26/25)
40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)	40.14 Third-party fee inspector company requirements (07/01/25)
40.6 Reserved (08/01/26)	40.15 Additional financial statement and rent roll submission requirements for Seller/Service for non-SBL Mortgages (10/21/25)
40.7 Conducting the inspection of the Property (08/25/26)	40.16 Reporting for Special Product Type Mortgages (07/01/25)
40.8 Timing of the property inspection and the inspection report (10/19/23)	40.17 Mortgages with Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)
40.9 Completing and submitting the inspection; retention of inspection documentation (08/26/25)	



40.1 General information regarding assessments and other post-purchase reporting (07/01/25)

40.1(a) General information regarding assessments (10/19/23)	40.1(c) Additional reporting requirements for Special Product Type Mortgages including SBL, portfolio loans backing Participation Certificates (“PCs”) and other loans warranting additional monitoring (07/01/25)
40.1(b) Additional Seller/Servicer post-purchase reporting for Mortgages purchased for Securitization (03/03/17)	

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, portfolio loans backing Participation Certificates (“PCs”) and other loans warranting additional monitoring (07/01/25)

Special Product Type Mortgages, including SBL Mortgages, portfolio loans, including but not limited to loans backing PCs, 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 (08/01/26)

a. Types of assessments (08/01/26)

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. 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
5. 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 (08/01/26)

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	- 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	- A Mortgage with a UPB > \$250,000 - A Mortgage with an Origination Date on or after 01/01/2003	- May 31 (first quarter) – - 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)



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
Q-CREFC-MF or Q-CREFC-HC, as applicable, SBL Mortgages	A Mortgage with a Risk Rating > 6 as of the applicable quarter-end	• 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	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. See Section 40.2(a)(3).
Property inspection report – Non-SBL Mortgages	A Mortgage with a UPB ≤ \$2 million	The calendar quarter end of the biennial anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
	• 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	The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31 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. For a Mortgage with a tax lien, a property inspection report is due when the tax lien is filed.
Property inspection report – Moderate Rehabilitation (Mod Rehab) Mortgages	Mod Rehab Mortgage	The calendar quarter end of the anniversary of the date of the post-construction analysis report. Unless otherwise notified by Freddie Mac: • 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	First report will be due the calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31 Thereafter, report will be due the calendar quarter end on the biennial anniversary of the Origination Date, unless otherwise notified by Freddie Mac
	A Mortgage with a Risk Rating > 6	The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31

Notes to above table:

- Annual inspections may be required on SBL Mortgages if the Property has an outstanding hazard loss, or if the prior year inspection resulted in property condition issues for which the Borrower hasn’t provided updates in a timely manner.
- 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, a property inspection report are not required if the Servicer has submitted 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)**

40.3(a) Source documents for the Annual Financial (03/03/17)	40.3(c) Submitting the Annual Financial (04/27/18)
40.3(b) Completing 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)

40.4(a) Source documents for the Quarterly Financial (03/03/17)	40.4(c) Submitting the Quarterly Financial (12/14/17)
40.4(b) Completing 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)

40.5(a) Source documents for the Mid-Year Rent Schedule (04/27/18)	40.5(b) 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 Reserved (08/01/26)

40.7 Conducting the inspection of the Property (~~10/24/08/25~~/26)

40.7(a) Unit inspection requirements and minimum number of units to inspect (10/17/24)	40.7(e) Assessing moisture or Mold issues during the inspection (08/25/26)
40.7(b) Requirements for photographs (08/25/26)	40.7(f) Assessing the property management company (12/12/14)
40.7(c) Guidance for photographs (12/12/14)	40.7(g) Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)
40.7(d) Assessing the physical condition of the Property and any risk issues (10/21/25)	

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 (10/17/24)

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
 - For SBL Mortgages where the Property has a total of 50 units or less: 5 percent of total occupied and vacant units, with a minimum of **three 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 or hazard loss, 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.

a.b. Requirements for photographs (10/14/1608/25/26)

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 or 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

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- 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.

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b.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.

e.d. Assessing the physical condition of the Property and any risk issues (10/21/25)

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 or 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 all 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
3. If any of the property related issues identified below occur, the Servicer must issue a notification to the Borrower within 30 days following the inspection of the need to undertake corrective action to address all identified risks and refer the Borrower to its obligations under the Loan Agreement. The foregoing notice must detail all Imminent Life Safety Hazards and Potential Life Safety Hazards. The Servicer must confirm that the Borrower has received such notice.
 - The estimated sum for remediation of all Deferred Maintenance items is greater than \$10,000 or 10% of the UPB
 - An Imminent or Potential Life Safety Hazard
 - A significant deficiency affecting the structure or value of the Property (including moisture or Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants
 - The Property has had an unauthorized change in property manager
 - The Property has any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow
 - The Property received an overall property condition rating of 4 or 5
4. The Servicer must promptly and, in any case, no 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:
 - The Property has had an unauthorized change in property manager
 - The Property has a significant deficiency affecting the structure or value of the Property (including moisture or Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants
 - The 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 such notification for its records.



5. Monthly PRS Loan Item Tracking (LIT) reporting will be required for Properties that have:

- An estimated sum for remediation of all Deferred Maintenance items greater than 10% of the UPB
- Imminent Life Safety Hazards
- A significant deficiency affecting the structure or value of the Property (including moisture or Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants
- An overall property condition rating of 4 or 5
- An unauthorized change in property manager
- Any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow
- A physical occupancy rate of less than 65%
- Greater than 10 percent (in the aggregate) of Down Units

Freddie Mac may require periodic reporting to PRS LIT for Properties that exhibit any area of concern regardless of whether such concern is included in the above list.

Freddie Mac will create LIT entries in PRS for the identified area of concern. The Servicer must work closely with the Borrower to provide appropriate and timely remediation plans or other documentation depending on the identified risk. The Servicer must update the LIT with such information no later than the Revisit or Due Date (as such terms are used in PRS LIT). Freddie Mac will require monthly PRS LIT reporting until it determines, in its sole discretion, that such frequency may be reduced or is no longer required.

6. For all loans:

- Upon Freddie Mac's purchase of the Mortgage, Freddie Mac will create LIT entries in PRS that capture PR-90 Repairs and/or Priority Repairs identified in the Loan Documents. Within 30 calendar days of deeming any PR-90 Repairs or Priority Repair item complete, the Servicer must go into PRS and update LIT accordingly.
- For any item listed as a PR-90 Repair or Priority Repair that has been completed since the prior annual inspection and for which the Servicer did not obtain an inspection to validate completion of the item, the Servicer must include the item on the Repair Verification tab. The inspector must review the item(s) at the time of inspection, validate completion and add photographs of the item(s) to the inspection report.



- For any item listed as a PR-90 Repair or Priority Repair that has not been completed at the time of the inspection, the Servicer must include the item as a Deferred Maintenance item on the inspection report. For each Life Safety item, the Servicer must evaluate and detail whether the item constitutes an Imminent Life Safety Hazard or Potential Life Safety Hazard. The Servicer must issue a notification to the Borrower documenting the outstanding Repair(s) and refer the Borrower to its obligation under the Loan Documents to complete the identified repairs. If the item is determined to be an Imminent Life Safety Hazard or Potential Life Safety Hazard, it should be identified as such in communications with the Borrower and on internal records.
7. If the Borrower does not fully remediate identified adverse matters or provide an action plan acceptable to Lender within 30 days from the Servicer's notifications, the Servicer must issue a notice of default letter as soon as possible, and no later than 10 Business Days after the expiration of such initial 30 day cure period. The Servicer must use the [Notice of Default and Reservation of Rights \(Conventional\)](#) or the [Notice of Default and Reservation of Rights \(SBL\)](#) form.

Adverse matters include:

- Any circumstance in which the Borrower is found to be out of compliance with the Loan Documents, including an unauthorized change in property manager or an unauthorized significant capital improvement or renovation project
 - Imminent Life Safety Hazard
 - A significant deficiency affecting the structure or value of the Property (including moisture or Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants
 - Property received an overall property condition rating of 4 or 5
- 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 within 10 Business Days of letter issuance. The Servicer must include in its communication with Freddie Mac an evaluation of the noncompliance, including the potential risk(s) and proposed remedial action(s) relating to such noncompliance.
8. The Servicer may consider obtaining a limited scope property inspection report for any specified area of concern. The terms of the Loan Documents will determine whether the Servicer may charge the Borrower for the cost of the property inspection report. The follow-up should take into account the nature of the risk. The Servicer must provide a copy of any limited scope property inspection and related decisions made based on the Servicer's review of the inspection to the Freddie Mac Surveillance team as follows:
- If there is an open LIT for the property condition, provide an update in PRS



- If there is not an open LIT for the property condition, send an email to MF_Surveillance@freddiemac.com
9. If: (i) the Servicer submits an assessment inspection with a property condition rating of 4 or 5 or (ii) there is an Imminent Life Safety Hazard at the Property that is not cured within 90 days of Borrower notice and an acceptable plan to cure the item has not been received by the Servicer, then 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.
- For an SBL Mortgage originated on a Loan Agreement form with a revision date prior to 07-31-2024, the Servicer must use the [Notice of Default and Reservation of Rights \(SBL\)](#) form.
 - For loans with an overall property condition rating of 4 or 5, collection of Reserve deposits for Replacement Reserves (if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement) must begin no later than the second payment installment date immediately following the assessment inspection submission.
 - For loans with an uncured Imminent Life Safety Hazard, collection of Reserve deposits for Replacement Reserves (if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement) must begin no later than the second payment installment date immediately following the date that is 90 days from the date of the initial notice of Imminent Life Safety Hazard sent to the Borrower.

Deposits for Replacement Reserves will be disbursed pursuant to the terms of the related Replacement Reserve Agreement.

10. Effective July 1, 2025, if the Servicer submits an assessment inspection with a property condition rating of 3, 4, or 5, the inspection must be reviewed and certified by a Servicer representative to ensure accuracy and completeness of the report. The "Seller/Servicer Certification" is located on the "Agency Assmt Addendum" tab of the MBA Inspection form and requires the date, name, title, and contact information of the Servicer representative certifying the form. This person must have experience equal to that of a Certified or Exempt Inspector.

The following guidelines outline key areas for review when certifying the inspection form. This list is not exhaustive, and reviewers should exercise professional judgment in identifying any additional issues that may affect the accuracy, completeness, or quality of the report.

Ensure:

- Data is accurate as of the time of submission
- All required fields have been completed



- Details are provided for all negative responses
- The rating is supported by the comments and photos
- All outstanding Deferred Maintenance or outstanding required repairs are listed on the “Repairs Verification” tab and Deferred Maintenance table
- Any information from a third-party inspector is verified or corrected as necessary
- In addition to the guidance provided in this chapter, further guidance for the MBA Inspection Form completion can be found in the [Assessments Completion Best Practices](#) and [Annual Inspection Form Desk Reference](#) on the [Freddie Mac Asset Management website](#)

b.e. Assessing moisture or Mold issues during the inspection (02/28/1908/25/26)

1. 4. 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. 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

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- Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

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3. 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:

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- 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~~))

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a.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:

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- 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



a.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.

40.740.8 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.

40.840.9 Completing and submitting the inspection; retention of inspection documentation (08/26/25)

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 Form 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.

**40-940.10Late, incomplete or unacceptable assessments; penalties and enforcement
(06/13/24)**

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).

40.1040.11 Reserved (08/26/25)

40.1140.12 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 (08/26/25)

40.13(a) General inspector requirements for all Mortgages (06/25/20)	40.13(d) Guidance for a quality control program for staff inspectors (12/12/14)
40.13(b) Specific inspector requirements (08/26/25)	40.13(e) Servicer conflicts of interest and required independent inspections (06/25/20)
40.13(c) Waiver of inspector requirements (03/03/17)	

40.12
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.

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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.

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The appraiser who conducted the Appraisal when the Mortgage was originated may not perform the physical property inspection for an assessment.

a.b. Specific inspector requirements (08/26/25)

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.

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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	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	1. Certified Inspector, or 2. Exempt Inspector
All Mortgages with Significant Repairs and/or Replacements	1. Certified Inspector, or 2. Exempt Inspector
All affordable housing loans originated in the TAH program, and/or with a Rental Assistance Contract, 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

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Notes:

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1. An Industry Trained Inspector has:

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- 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

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2. A Certified Inspector has:

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- 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,

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- 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.)

b.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.

e.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.

d.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.

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40.1340.14 Third-party fee inspector company requirements (07/01/25)

40.14(a) Restrictions on the use of a third-party fee inspector company (07/01/25)	40.14(b) FIC acceptability (05/31/12)

a. Restrictions on the use of a third-party fee inspector company (07/01/25)

The Servicer may use a third-party fee inspector company (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. If a FIC is used, the Servicer must be diligent in providing the FIC any pertinent information that will aid them while on-site. This includes, but is not limited to, questions the FIC needs to ask in relation to property operations or negative news, and required repair follow-ups. The Servicer is ultimately responsible for the accuracy of all information included in the inspection, whether 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.

40.1440.15 Additional financial statement and rent roll submission requirements for Seller/Servicers for non-SBL Mortgages (10/21/25)

For portfolio loans and loans scheduled for Securitization, the Seller/Servicer must submit all documentation via the Property Reporting System (PRS). The Seller/Servicer must provide all Borrower and Property financial data as presented by the Borrower. No analysis of the data is

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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. Rent roll and financial statements

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 90 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:

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- 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

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2. Other documentation

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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

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40.1540.16 Reporting for Special Product Type Mortgages (07/01/25)

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40.16(a) SBL Mortgages (03/03/17)	40.16(d) Mod Rehab Mortgages (05/05/17)
40.16(b) Value-Add Mortgages (09/30/20)	40.16(e) MHC Mortgages with MHC Tenant Protections (04/14/22)
40.16(c) Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)	40.16(f) Portfolio loans, including but not limited to loans backing Participation Certificates (PCs) (07/01/25)

The following Mortgages are considered “Special Product Type Mortgages” for the purposes of this chapter:

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- SBL Mortgages
- Value-Add Mortgages
- Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS
- Moderate Rehabilitation (Mod Rehab) Mortgages
- MHC Mortgages with MHC Tenant Protections
- Portfolio loans, including but not limited to, loans backing Participation Certificates

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Except as modified by this Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

a. SBL Mortgages (03/03/17)

Additional documentation requirements for SBL Mortgages prior to securitization will be limited to the following:

- At any time prior to securitization upon Freddie Mac’s request, the Seller/Servicer must submit to Freddie Mac the following:
 - a. Current rent roll
 - b. Income and Expense Statement for the Borrower’s operation of the Property for the most recent month or months, as applicable
 - c. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
 - d. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
 - e. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
 - f. With respect to each Guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party’s personal financial statement) and any additional information as Freddie Mac may request

b. Value-Add Mortgages (09/30/20)

The Servicer must submit the Annual Financial and Quarterly Financial assessments for a Value-Add Mortgage as outlined in Sections 40.2(a) and 40.2(b).

In addition, starting with the end of the first quarter after the Origination Date (unless the end of the quarter is within one calendar month of the Origination Date), and continuing every quarter thereafter until the loan has paid off, the Servicer must report on renovation progress and rental conditions at the Property via the **Value-Add Reporting LIT**. The report is due within one month after the close of the quarter. The Servicer must submit the following documentation:

- **Form 1028, Value-Add Monitoring Form**

A version of [Form 1028](#) customized by Freddie Mac for each Property will be attached to the LIT within 45 days of the Freddie Mac Funding Date and must be used for all reporting requirements. The copy available at mf.freddiemac.com/lenders/asset is for informational

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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.

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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. Moderate Rehabilitation (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

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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:

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- 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

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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.

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3. In connection with any audit conducted under this Section 40.16(e)(2):

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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

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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

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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

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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.

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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.

f. Portfolio loans, including but not limited to loans backing Participation Certificates (PCs) (07/01/25)

The Servicer must submit monthly CREFC Watchlist reports into the Property Reporting System (PRS) for portfolio loans as requested in PRS. The submission is for loans meeting CREFC Watchlist Code criteria and follow CREFC Watchlist Guidelines. The reports are due by 3:00 p.m. one day after the 11th calendar day of the month or the next Business Day (matching reporting for Mortgages that have been included in a Securitization).

40.1640.17 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

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Multifamily Seller/Servicer Guide

Chapter 41SBL

SBL Transfers of Ownership



SBL Transfers of Ownership	
41SBL.1 Transfers of Ownership in the Property or in the Borrower (08/26/25)	41SBL.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/22/25)
41SBL.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)	41SBL.7 Prohibited Transfers of Ownership - Declination of the application for Lender consent (06/29/18)
41SBL.3 Conditionally Permitted Transfers of Ownership (08/25/26)	41SBL.8 Prohibited Transfers of Ownership (04/18/24)
41SBL.4 Transfer of Ownership requiring Freddie Mac consent (08/25/26)	41SBL.9 Fees (04/30/19)
41SBL.5 Prohibited Transfer of Ownership requiring Freddie Mac consent -- review of the application (06/29/18)	



41SBL.1 Transfers of Ownership in the Property or in the Borrower (08/26/25)

41SBL.1(a) Applicability; use of the Consent Request Tracker (08/26/25)	41SBL.1(c) Delivery of documents and notices to Freddie Mac following a Transfer of Ownership (06/29/18)
41SBL.1(b) Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (06/30/16)	41SBL.1(d) Seller/Servicer obligation to screen existing and new Borrowers and Borrower Principals, and Non-U.S. Equity Holders (09/01/16)

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 \(08/26/25\)](#)

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.

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 (02/24/26)

41SBL.2(a) Mortgages that permit transfers without the consent of the Lender (04/18/24)	41SBL.2(c) Reserved (06/29/18)
41SBL.2(b) Mortgages that conditionally permit Transfers of Ownership (06/29/18)	41SBL.2(d) Mortgages that prohibit transfers without the consent of the Lender (06/29/18)

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 (02/24/26)

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 not required for Mortgages owned by Freddie Mac.
2. Electronically deliver supporting documentation such as an organizational chart and organizational documents to Freddie Mac.
3. Ensure that all insurance policies reflect the new ownership.

A confirmation email will be sent by Freddie Mac if Freddie Mac concurs that the transfer is permitted under the terms of the Loan Documents.

For Transfers of Ownership permitted by SBL Mortgages described in this section, the application and approval provisions of this chapter do not apply, and neither Freddie Mac nor the Servicer will impose a review/processing fee or transfer fee (other than as set forth in the Loan Documents).

b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)

Some Loan Documents contain provisions that pre-authorize certain Transfers of Ownership that have been underwritten at the time of the origination or prior assumption of the Mortgage. See Section 41SBL.3 for the procedures for approval and documentation of a conditionally permitted Transfer of Ownership.

c. Reserved (06/29/18)



d. Mortgages that prohibit transfers without the consent of the Lender (06/29/18)

If the Loan Documents contain a provision that states that the lender may or will permit an otherwise prohibited Transfer of Ownership if the proposed transferee meets certain standards as to credit, management ability or other matters, the Property (and interests in a Borrower entity that are covered by the transfer language) may be transferred, but only subject to the provisions of Sections 41SBL.4 through 41SBL.8.

41SBL.3 Conditionally Permitted Transfers of Ownership (~~06/13/24~~08/25/26)

41SBL.3(a) Notice to Freddie Mac (04/18/24)	41SBL.3(d) Post-transfer documentation – delivery of originals (04/18/24)
41SBL.3(b) Delivery of documents requiring Freddie Mac signature (06/29/18)	41SBL.3(e) Remittance of fees (06/29/18)
41SBL.3(c) Transfer documentation – electronic delivery (08/25/26)	

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

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Transfer. The Servicer must then deliver the documentation and remit the applicable fees as described in 41SBL.3(b) - (e).

b. Delivery of documents requiring Freddie Mac signature (06/29/18)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least three Business Days prior to the date of the conditionally permitted Transfer of Ownership.

c. Transfer documentation – electronic delivery (06/13/2408/25/26)

Not later than five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must electronically deliver the following documents if required by the Loan Documents and/or the Freddie Mac Acknowledgment of Conditionally Permitted Transfer:

1. Servicer's certification(s) regarding Borrower and organizational documents, if applicable
2. Servicer's OFAC/FHFA SCP certificate as required by 41SBL.1(d)
3. Reserved
4. An executed [Form 1115, Borrower and Key Borrower Principal Certificate](#), ~~as detailed in Section 55SBL.2~~, for each transferee and new Key Borrower Principal, as applicable
5. Preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7, if not previously provided to Freddie Mac
6. If applicable, a certified copy of any recorded documents such as a Memorandum of Loan Assumption Agreement or a UCC Financing Statement
7. Transfer of Interest Reaffirmation Agreement; if the Reaffirmation Agreement, if applicable
8. Guaranty Assumption and Loan Modification Agreement, if applicable
9. Assignment of Management Agreement, if applicable
10. Freddie Mac Acknowledgment of Conditionally Permitted Transfer, acknowledged by the Servicer (if required by 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 Acknowledgment of Conditionally Permitted Transfer

d. Post-transfer documentation – delivery of originals (04/18/24)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must deliver to Freddie Mac originals of any amendment to any Note,



Guaranty or any other Loan Document for which delivery of an original is required under the Final Delivery Package Table of Contents - SBL.

e. Remittance of fees (06/29/18)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must remit by wire transfer any fees required pursuant to the terms of the pre-authorization provisions of the Loan Documents, in accordance with the requirements of Section 41SBL.9.

41SBL.4 Transfer of Ownership requiring Freddie Mac consent (~~12/12/24~~08/25/26)

41SBL.4(a) Conditions for Freddie Mac consent (08/15/24)	41SBL.4(d) Application for approval; information required (08/25/26)
41SBL.4(b) Continuing liability of the Borrower and Guarantor (08/25/26)	41SBL.4(e) Additional information required for Transfers of Ownership of interest in the Property (08/25/26)
41SBL.4(c) Required Servicer disclosure (08/26/21)	41SBL.4(f) Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)

a. Conditions for Freddie Mac consent (08/15/24)

For all Transfers of Ownership requiring Freddie Mac consent, including (i) transfers of all or any portion of the Property, (ii) transfers of a direct or indirect controlling interest in Borrower, and (iii) transfers of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, the Servicer must provide to Freddie Mac an analysis of and, if applicable, recommendation with respect to, each of the following requirements:

1. The Borrower has submitted to the Servicer all information required by the Servicer to make the determination required by this Section along with the applicable nonrefundable Transfer of Ownership processing fee
2. The transferee meets Freddie Mac's eligibility, credit, management and other standards (including any standards with respect to previous relationships between Freddie Mac and the transferee), including having no unmitigated adverse findings from the Public Record Searches required by the Guide
3. The transferee's organization, credit and experience in the management of similar properties is appropriate to the overall structure and documentation of the Loan, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
4. The Property will be managed by (or will continue to be managed by) a Property manager meeting the requirements of the Loan Agreement
5. The Property, at the time of the proposed Transfer of Ownership, meets all of Freddie Mac's standards as to its physical condition, occupancy, net operating income, and the accumulation of reserves



6. In the case of a Transfer of Ownership of all or any part of the Property, each of the following conditions is satisfied:
 - The transferee meets the requirements of Section 6.13 of the Loan Agreement.
 - The transferee executes Freddie Mac's then-standard assumption agreement for SBL Mortgages that, among other things, requires the transferee to perform all obligations of the Borrower set forth in the Loan Documents, and may require that the transferee comply with any provisions of the Loan Agreement or any other Loan Document which previously may have been waived or modified by the lender.
 - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.
 - The transferee executes such additional documentation as Freddie Mac may require.
7. In the case of a Transfer of Ownership of a direct or indirect controlling interest in Borrower, each of the following conditions is satisfied:
 - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.
 - If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then the requirements of Section 41SBL.4(b) will apply.
 - The transferee and Borrower execute such additional documentation as Freddie Mac may require.
8. In the case of a Transfer of Ownership of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, each of the following conditions is satisfied:
 - If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then (i) the Borrower causes one or more persons or entities acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac and (ii) the requirements of Section 41SBL.4(b) will apply.
9. Freddie Mac receives any such legal opinions that Freddie Mac deems necessary, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*



10. The Servicer collects all costs, including the cost of all title searches, title insurance and recording costs, and all attorneys' fees and costs incurred in reviewing the Transfer of Ownership request
11. At the time of the Transfer, the Borrower pays a Transfer of Ownership Fee equal to one percent of the outstanding principal balance of the indebtedness as of the date of the Transfer of Ownership, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*

b. Continuing liability of the Borrower and Guarantor (06/29/1708/25/26)

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, Form 1108, Physical Risk Report, meeting the requirements of Section 62SBL66.3 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 62SBL66, 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, Form 1108, Physical Risk Report, prepared in connection with the Transfer of Ownership request identifies any environmental hazards or issues using the methodology described in Chapter 62SBL66, then Freddie Mac will release the Borrower and the Guarantor from all of their respective obligations under the Loan Documents except for the Borrower's liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) and the Guarantor's obligation to guaranty the Borrower's liability.

c. Required Servicer disclosure (08/26/21)

If an Equity Conflict of Interest exists as defined in Section 2.25, then the Servicer must provide to Multifamily Asset Management, Borrower Transactions a written statement that discloses the nature and extent of that Equity Conflict of Interest within three Business Days after receiving the Borrower's request for approval of the Transfer of Ownership.



d. **Application for approval; information required** (~~12/12/2408/25/26~~)

Within two Business Days after receiving a request for a Transfer of Ownership, the Servicer must enter the applicable information into the Consent Request Tracker.

The Servicer must electronically submit a complete review package and the Servicer's recommendation, including the applicable information required pursuant to Sections 41SBL.4(d) and (e) to Freddie Mac at least 15 days prior to the proposed date of the Transfer of Ownership. The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local laws or regulations.

Promptly following receipt of the Borrower's notification of the pending Transfer of Ownership, the Servicer must collect the following information from the Borrower and proposed new Key Borrower Principals, as applicable, following up with the Borrower as necessary to ensure timely receipt of required materials. *Items 3, 4, 6, 7, and 9 through 14 are not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A nonrefundable review/processing fee in accordance with Section 41SBL.9
2. A completed Transfer of Ownership/Assumption Request, available via FreddieMac.com, including
 - The Servicer's thorough analysis of the risks, strengths, and weaknesses associated with the proposed Transfer
 - The Servicer's justification and support for its recommendations with respect to any requests for waivers or document modifications
 - The Servicer's recommendations regarding the need for adjustment to any Impositions or Reserves
 - The Servicer's explanation of the terms of any seller take-back financing or other Subordinate Financing
 - The Servicer's explanation of any unusual proposed transferee structure or structure of a transaction done for tax purposes
 - Information regarding any deadline for a real estate exchange done pursuant to Internal Revenue Code Section 1031 (Note: Reverse 1031 exchanges are not permissible)
3. A copy of the executed contract of sale or other transfer agreement, letter of intent, or other indication of the Borrower's intent to transfer an ownership interest in the Property or in the Borrower, together with a [Purchase Agreement Analysis](#) form (~~as described in Section 55SBL.2~~)



4. Current financial statements of the proposed transferee and the proposed new Key Borrower Principals, ~~as described in Section 55SBL.2~~
5. An executed [Form 1115, Borrower and Key Borrower Principal Certificate](#), for the proposed transferee and each proposed new Key Borrower Principal, ~~as detailed in Section 55SBL.2~~
6. An executed [Form 1116, Real Estate Schedule](#), for each proposed new Key Borrower Principal, ~~as detailed in Section 55SBL.2~~
7. Information concerning the managerial experience of the proposed transferee (if not otherwise fully reflected on [Form 1115](#)) and the proposed paid professional manager, if applicable, ~~as detailed in the mortgage transaction narrative analysis description in Section 55SBL.2~~
8. A [Form 1114, Certification – Organizational Chart](#), with the Certified Organizational Chart of the proposed Borrower. The Certified Organizational Chart must include the elements set forth in the [Guidance – Organizational Charts](#).
 - Each entity's name, State of formation, and type (e.g., Delaware limited liability company)
 - Each party's ownership percentage
 - Each party's role (e.g., Principal, Guarantor, manager, general partner, etc.)
9. Current financial statements for the Property, including a trailing 12-month statement, each certified by the Borrower ~~in the manner described in Section 55SBL.2~~, together with the Servicer's analysis of those statements. If the two most recent certified calendar year financial statements have been submitted to Freddie Mac via the Property Reporting System (PRS), the Servicer may make a statement to that effect on the Transfer of Ownership/Assumption Request and need not attach the calendar year statements unless requested to do so by Freddie Mac
10. A ~~Form 1104, SBL Physical Risk Report~~, [Form 1108, Physical Risk Report](#), prepared by a physical risk consultant in compliance with Chapter ~~62SBL.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
 - 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~~, [If a Form 1108, 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, Form 1108, Physical Risk Report, etc.)
13. A current credit report for any proposed Guarantor that is an individual, ~~as detailed in Section 55SBL.2~~
14. A preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7
15. Written certification of the Servicer that there is no uncured event of default or any event, act, or condition that, but for the giving of notice or the passage of time, would constitute an event of default unless such Transfer of Ownership would cure the event of default
16. For a Transfer of Ownership that does not involve a transfer of title to the Property, a Certified Organizational Chart (including Form 1114, Certification – Organizational Chart) for the Borrower as constituted prior to the proposed Transfer of Ownership
17. The Public Records Searches as required by Section 2.28
18. Any other information which Freddie Mac may request in connection with its review of the proposed Transfer

e. Additional information required for Transfers of Ownership of interest in the Property (09/28/1808/25/26)

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.9.7~~
2. Certified Organizational Chart of the proposed Borrower, together with the Form 1114, Certification – Organizational Chart
3. Title update report dated no earlier than 30 days before the date of the Transfer
4. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
5. The proposed new Borrower's first year budget for the Property
6. Evidence of insurance, as described in Section 31.19(b)



f. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)

The Servicer must deliver each of the following to Freddie Mac at least five Business Days prior to the date of the proposed Transfer of Ownership, *except that item 1 is not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A draft property management agreement in essentially final form
2. A [Form 1114, Certification – Organizational Chart](#), with the Certified Organizational Chart of the proposed Borrower. The Organizational Chart must include the elements set forth in the [Organizational Chart Interactive Guidance](#) at <https://mf.freddiemac.com/lenders/asset/> under Asset Management References.

41SBL.5 Prohibited Transfer of Ownership requiring Freddie Mac consent -- review of the application (06/29/18)

Freddie Mac will evaluate the application and the Servicer's recommendation in accordance with Freddie Mac's credit policies and the terms of the Loan Documents. Factors to be considered may include the following:

- The net income of the Property before debt service and depreciation
- The Debt Coverage Ratio (DCR) and the Loan to Value Ratio (LTV)
- The Property condition
- The proposed transferee's equity in the Property
- The proposed transferee's previous management experience and its ability to maintain or increase the net income of the Property
- The proposed transferee's and proposed Guarantor's financial statements and credit history (evidence that each has the ability to repay the Mortgage and evidence that each has repaid or is repaying other loans according to their respective terms)
- The terms and conditions of any Subordinate Financing

41SBL.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/22/25)

41SBL.6(a) Approval (06/30/16)	41SBL.6(f) Remittance of fees (06/30/16)
41SBL.6(b) Preparation and review of the documents by counsel (06/30/16)	41SBL.6(g) Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/22/25)
41SBL.6(c) Freddie Mac's review of draft documents (06/30/16)	41SBL.6(h) Servicer's responsibilities following the Transfer of Ownership (06/30/16)



41SBL.6(d) Execution of documents by Freddie Mac (04/18/24)	41SBL.6(i) Servicer's warranties in connection with a Transfer of Ownership (09/28/18)
41SBL.6(e) Recordation (06/30/16)	

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 (04/22/25)

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

Within five Business Days after the Transfer of Ownership, the Servicer must electronically deliver each of the following documents to Freddie Mac, unless delivery of an original is specified:

1. Recorded transfer deed, if applicable, or other documentation evidencing the transfer (certified copy)
2. If an interest in the Property was transferred
 - a. Recorded Memorandum of Loan Modification and Assumption Agreement (certified copy)
 - b. Signed settlement statement (copy)
 - c. Endorsement to the existing title policy or a new title policy stating the name of the new Borrower, reflecting the recordation of the Loan Modification and Assumption Agreement SBL and evidencing that the effective date of the policy is the date of recordation of the Loan Modification and Assumption Agreement SBL and that there are no intervening liens from the date of the original title policy insuring the First Lien until the Transfer of Ownership (copy) (If the proposed new Borrower obtains a new title policy, that title policy must meet all of the requirements in Chapter 29 and in the [Title Policy and Endorsement Requirements](#). Freddie Mac reserves the right to require a new title policy rather than to accept an endorsement to the original title policy.)

NOTE: For assumptions involving Property located in Texas, in lieu of a new title policy or down-date endorsement to the original title policy, it is acceptable to provide both of the following:

- A certificate from the title insurance company that issued the existing title policy, dated no earlier than the date of recordation of the Memorandum of Loan Assumption Agreement, listing all matters that affect title to the Property which have been placed of record since the effective date of such title policy.



- A T-38 Endorsement.
 - d. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
3. Signed Guaranty, if applicable (original)
 4. Signed Guaranty Assumption and Modification Agreement, if applicable (original)
 5. Signed Transfer of Interest Reaffirmation Agreement, if applicable (original if Note or Guaranty is modified; otherwise, a copy)
 6. Signed Loan Assumption and Modification Agreement, if applicable (original)
 7. Fully-executed property management agreement (copy)
 8. If the proposed transferee is an entity, filed and recorded UCC financing statements in the name of the proposed transferee in accordance with the requirements of the Final Delivery Instructions found at mf.freddiemac.com/lenders/purchase (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)

41SBL.8(a) Information to be provided to Freddie Mac (06/29/18)	41SBL.8(c) Additional Servicer obligations (06/29/18)
41SBL.8(b) Property inspection (06/29/18)	

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)

41SBL.9(a) Review/processing fee (12/14/18)	41SBL.9(c) Transfer fee (12/14/18)
41SBL.9(b) Counsel fee (06/30/16)	41SBL.9(d) Remittance of 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.

Multifamily Seller/Service Guide

Chapter 46SBL

SBL Collateral, Repurchase and Loss Obligations



SBL Collateral, Repurchase and Loss Obligations	
46SBL.1 Overview (08/25/26)	46SBL.4 Repurchase Obligations (06/24/25)
46SBL.2 SBL Collateral requirements – establishment, use and replenishment (08/25/26)	46SBL.5 Repurchase Options (04/22/25)
46SBL.3 Secondary Market Transaction (08/18/22)	46SBL.6 Loss Obligation (06/24/25)

46SBL.1 Overview (08/18/2225/26)

This chapter describes the collateral, repurchase and loss determination requirements for SBL Mortgages originated under the SBL Purchase Product ~~as described in Chapter 18SBL.~~ In this chapter, the term “Servicer” will refer to the applicable SBL Seller/Servicer in its role as Servicer of an SBL Mortgage.

**46SBL.2 SBL Collateral requirements – establishment, use and replenishment
(02/16/23)08/25/26)**

46SBL.2(a) SBL Collateral Requirements – Cash (02/16/23)	46SBL.2(b) SBL Collateral Requirements – Letter of Credit (08/25/26)

Each Seller/Servicer must post \$5 million in collateral, either in cash or a letter of credit (“SBL Collateral”), to ensure that it can meet its obligations to Freddie Mac described in this Chapter 46SBL (collectively, the “SBL Obligations”). The SBL Collateral must be posted within 30 days after the Seller/Servicer’s approval as an SBL Seller/Servicer. Freddie Mac will not accept an underwriting package or rate lock an SBL Mortgage prior to the Seller/Servicer’s posting of the SBL Collateral.

If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation as provided in this Chapter 46SBL, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

If Freddie Mac withdraws funds from the SBL Cash Collateral Account (defined below) or draws on the Letter of Credit – SBL (defined below) in accordance with this Section 46SBL.2, then Freddie Mac will notify the Seller/Servicer of such action in writing. Within three Business Days following the Seller/Servicer’s receipt of such notice, it must wire funds to the designated SBL Cash Collateral Account or provide an additional Letter of Credit – SBL, as applicable, to Freddie Mac in an amount sufficient to ensure that the Seller/Servicer continues to satisfy the SBL Collateral requirement specified in this Section 46SBL.2.

a. SBL Collateral Requirements – Cash (02/16/23)

If the Seller/Servicer satisfies the SBL Collateral requirement with cash, then all the following requirements apply:

- The Seller/Servicer must remit a cash collateral fee to Freddie Mac in the amount of \$50,000 (“Cash Collateral Fee”) by wire transfer prior to establishment of the SBL Cash Collateral Account described below. The Seller/Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Counterparty Risk & Compliance*. The Seller/Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Seller/Servicer name, Seller/Servicer number and the Freddie Mac contact person.
- The Cash Collateral Fee is non-refundable. However, the Cash Collateral Fee will be returned to the Seller/Servicer if the Seller/Servicer subsequently determines that it will satisfy the SBL Collateral requirement in the form of a letter of credit instead, and the change to a letter of credit is made:



- Prior to the establishment of the SBL Cash Collateral Account, and
- Within 30 days after the Seller/Servicer's approval as an SBL Seller/Servicer
- The Seller/Servicer must deposit the SBL Collateral in an account for the benefit of Freddie Mac ("SBL Cash Collateral Account").
- Although the SBL Cash Collateral Account is not a Custodial Account, it is subject to the requirements of Chapter 52 pertaining to Custodial Accounts (as modified by this Chapter 46SBL), including recordkeeping and reporting requirements.
- The Seller/Servicer must establish the SBL Collateral Account with a depository institution that (A) is neither the Seller/Servicer or an affiliate of the Seller/Servicer, (B) meets the eligible depository requirements of Section 52.2(3), and (C) that is otherwise acceptable to Freddie Mac.
- The SBL Cash Collateral Account must be designated exactly as shown in one of the following:
 - "(Name of Seller/Servicer) – Freddie Mac SBL Cash Collateral Account"
 - "Freddie Mac SBL Cash Collateral Account – (Name of Seller/Servicer)"
- Interest earned on the SBL Cash Collateral Account, if any, less the fees and expenses for establishing and maintaining the account, will accrue and be applied to the SBL Cash Collateral Account.
- In lieu of the requirements of Section 52.6, the Seller/Servicer must deliver to Freddie Mac each of the following documents governing the SBL Cash Collateral Account (in a form and substance acceptable to Freddie Mac):
 - An SBL Cash Collateral Pledge, Security and Custody Agreement among the Seller/Servicer, the depository institution and Freddie Mac.
 - If required by the depository institution, a deposit account control agreement or similar agreement.

b. SBL Collateral Requirements – Letter of Credit (~~02/16/23~~08/25/26)

1. If the Seller/Servicer satisfies the SBL Collateral requirement by providing a letter of credit, then all the following requirements apply:
 - The Seller/Servicer must deliver to Freddie Mac a letter of credit in an amount equal to the SBL Collateral requirement and otherwise satisfying the requirements of this Section 46SBL.2(b) ("SBL Letter of Credit").
 - The SBL Letter of Credit is subject to the requirements of Section 11.2 pertaining to letters of credit, as modified by this Chapter 46SBL.



- The required forms of the SBL Letter of Credit and Form 921, Letter of Credit Certification—SBL, the Letter of Credit Certification are available at mf.freddiemac.com.
 - Each time a new Letter of Credit – SBL (or an amendment to an existing Letter of Credit – SBL) is required, the Seller/Servicer must deliver the original Letter of Credit – SBL (or any amendment to an existing Letter of Credit – SBL) to Freddie Mac together with a Form 921, Letter of Credit Certification—SBL, Letter of Credit Certification and an opinion of issuer's counsel approved by the applicable Freddie Mac *Multifamily Attorney*.
 - All documentation required under this Section 46SBL.2(b) must be delivered to *Multifamily Counterparty Risk & Compliance*.
 - If the Seller/Servicer is replacing an SBL Cash Collateral Account with an SBL Letter of Credit, the Seller/Servicer must contact *Multifamily Counterparty Risk & Compliance* at least 60 days prior to the anticipated replacement date for complete requirements related to the replacement.
2. In addition to Freddie Mac's right to draw upon the Letter of Credit – SBL, if the Seller/Servicer fails to timely meet its SBL Obligations as described in Section 46SBL.2, Freddie Mac may also draw upon the Letter of Credit – SBL for any of the following reasons:
- The Seller/Servicer fails to provide Freddie Mac with a renewal or replacement of the Letter of Credit – SBL at least 30 days prior to the expiration of the Letter of Credit – SBL.
 - The Letter of Credit Issuer ceases to be an Eligible Institution.

These reasons, individually and collectively, are an “Expiration or Non-Eligible Institution Draw Trigger.”

If Freddie Mac draws on a Letter of Credit – SBL following the occurrence of an Expiration or Non-Eligible Institution Draw Trigger, Freddie Mac will deposit the proceeds of the draw into a Freddie Mac account until the Seller/Servicer establishes an SBL Cash Collateral Account in accordance with the requirements set forth in Section 46SBL.2(a). The proceeds of the Letter of Credit – SBL held in the Freddie Mac account are SBL Collateral. If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

46SBL.3 Secondary Market Transaction (08/18/22)

Freddie Mac intends to include the SBL Mortgages as assets of a Secondary Market Transaction. “Secondary Market Transaction” means: (i) any sale or assignment of the Loan Agreement, the Note and the other Loan Documents to one or more investors as a whole loan, (ii) a participation of the SBL Mortgage to one or more investors, (iii) any deposit of the Loan Documents with a trust or other entity which may sell certificates or other instruments to

investors evidencing an ownership interest in the assets of such trust or other entity, (iv) any other sale, assignment or transfer of the SBL Mortgage or any interest in the SBL Mortgage to one or more investors, or the use of the SBL Mortgage as part of any transaction's reference pool.

46SBL.4 Repurchase Obligations (06/24/25)

46SBL.4(a) Applicability of Repurchase Obligations (08/18/22)	46SBL.4(e) Repurchase Period (08/18/22)
46SBL.4(b) Ineligible for Securitization (08/18/22)	46SBL.4(f) Notice of repurchase event (08/18/22)
46SBL.4(c) Monetary default (04/22/25)	46SBL.4(g) Repurchase determination and notification to Seller/Serviceirs (08/18/22)
46SBL.4(d) Non-monetary default (08/18/22)	46SBL.4(h) Repurchase requirements (06/24/25)

The Seller/Serviceir must repurchase an SBL Mortgage if that SBL Mortgage is (i) deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization, as described in Section 46SBL.4(b) and/or (ii) the subject of a monetary or nonmonetary default described in Sections 46SBL.4(c) and 46SBL.4(d) (collectively, the “SBL Repurchase Obligations”) and Freddie Mac elects to require the Seller/Serviceir to repurchase the SBL Mortgage as described in Section 46SBL.4(g).

a. [Applicability of Repurchase Obligations \(08/18/22\)](#)

The SBL Repurchase Obligations only apply if the underlying event giving rise to the SBL Repurchase Obligation occurs during the SBL Repurchase Period, as described in Section 46SBL.4(e).

The SBL Repurchase Obligations apply notwithstanding that the Seller/Serviceir may have endorsed any SBL Mortgage Note or other Loan Document to Freddie Mac “without recourse.”

The SBL Repurchase Obligations do not limit or otherwise impair Freddie Mac’s ability to enforce its rights against the Seller/Serviceir identified elsewhere in this Guide.

b. [Ineligible for Securitization \(08/18/22\)](#)

- Qualified Mortgage.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if the SBL Mortgage is not a “Qualified Mortgage.” For the purpose of this Section 46SBL.4(b), a Qualified Mortgage is a mortgage that is “principally secured” by an interest in real property, and “principally secured” means that the fair market value of the real property collateral for the SBL Mortgage is at least 80 percent of the outstanding principal balance of the SBL Mortgage (or a loan-to-value ratio of 125 percent or less), tested both as of the Origination Date and when the SBL Mortgage is put into the applicable securitization.
- Condemnation Valuation.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if any portion of the Property is released from the lien of the SBL Mortgage in connection with a

Condemnation (as defined in the Loan Agreement) and the ratio of (i) the unpaid principal balance of the SBL Mortgage to (ii) the value of the Property (taking into account only the related land and buildings and not any personal property or going-concern value), as determined by Freddie Mac in its sole and absolute discretion based on a commercially reasonable valuation method permitted in connection with a securitization, is greater than 125 percent immediately after the Condemnation and before any Restoration (as defined in the Loan Agreement) or repair of the Property (but taking into account any planned Restoration or repair of the Property as if such planned Restoration or repair were completed).

If Freddie Mac enforces an SBL Repurchase Obligation with respect to an SBL Mortgage for this reason, Freddie Mac will credit to the Seller/Servicer any net proceeds or awards from such Condemnation received by Freddie Mac, less any costs and expenses incurred by Freddie Mac in connection with the Condemnation and the Repurchase.

c. **Monetary default (04/22/25)**

As of March 30, 2020, the Seller/Servicer is subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for failure to pay or deposit when due any amount required by the Loan Documents (“Required Loan Payment(s)”) when the Required Loan Payment has been delinquent for the period of time specified in the chart below (“Delinquency Period”):

Delinquency Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages
Applicable Delinquency Period*	120 consecutive days beginning on the date the Required Loan Payment following the end of the forbearance period was due	60 consecutive days beginning on the date the Required Loan Payment was due	60 consecutive days beginning on the date the Required Loan Payment was due (a “60 Day Delinquency”)
*Calculated without considering any grace or cure period that may be applicable to the Required Loan Payment in the Loan Documents.			

d. **Non-monetary default (08/18/22)**

The Seller/Servicer is also subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for any of the following non-monetary “Events of Default” described in the Loan Agreement for that SBL Mortgage (“Non-Monetary Defaults”):



- Section 9.01(d) or Section 8.01(b) (fraud, material misrepresentation or material omission)
- Section 9.01(f) or Section 8.01(g) (transfers that violate the provisions of Article VII of the Loan Agreement, including liens on the Mortgaged Property)
- Section 9.01(g) or Section 8.01(h) (forfeiture proceeding)
- Section 9.01(j and n) or Section 8.01(i and j) (uncured defaults(s) under other lien(s) on the Mortgaged Property)
- Section 9.01(k) or Section 8.01 (l and m) (bankruptcy, insolvency and related matters)
- Section 9.01(p) or Section 8.01(n) (Guarantor bankruptcy)

Note that references above to Loan Agreement Sections 9.01 apply to Mortgages with Loan Agreements that have a form revision date prior to 11/02/15.

e. Repurchase Period (08/18/22)

As of March 30, 2020, the repurchase period for Seller/Servicer's SBL Repurchase Obligations begins on the Origination Date of the SBL Mortgage and remains in effect until the earlier to occur of the events set forth in Sections 46SBL.4(e)(1) through (4) (collectively, the "Repurchase Period").

1. The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.
2. The last day of the applicable initial Repurchase Period specified in the chart in Section 46SBL.4(e)(3) below ("Initial Repurchase Period") unless one of the following conditions is applicable:
 - (A) Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for the SBL Mortgage, as set forth in 46SBL.4(g) and the SBL Mortgage repurchase has not been completed, in which case the Repurchase Period for the SBL Mortgage is extended until the repurchase has been completed.
 - (B) An Extended Repurchase Period Trigger has occurred as provided in subsection 46SBL.4(e)(3).
3. The last day of the applicable extended Repurchase Period specified in the chart below ("Extended Repurchase Period") if any of the following conditions are applicable (each an "Extended Repurchase Period Trigger"):
 - (A) Borrower fails to make any Required Loan Payment during the final three months of the Initial Repurchase Period.

- (B) Funds from the COVID-19 Debt Service Reserve, if applicable, are used to make any Required Loan Payment during the final three months of the Initial Repurchase Period.
- (C) An event that could trigger a Repurchase Obligation has occurred and is continuing at the expiration of the Initial Repurchase Period.

If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during the Extended Repurchase Period, the Repurchase Period for that SBL Mortgage is extended until the repurchase has been completed.

Repurchase Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages
Initial Repurchase Period	12 months from the Origination Date of the SBL Mortgage <u>plus</u> the number of months for which the SBL Mortgage receives forbearance	12 months from the Origination Date of the SBL Mortgage	12 months from the Origination Date of the SBL Mortgage
Extended Repurchase Period* *When subject to an Extended Repurchase Period Trigger	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period

4. The occurrence of a Secondary Market Transaction Standstill Event (as defined below) unless one of the following is applicable:
- (A) If Seller/Servicer is subject to a Repurchase Obligation during any applicable Repurchase Period and such Repurchase Obligation is in effect prior to the Secondary Market Transaction Standstill Event, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage.
 - (B) If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during any applicable Repurchase Period, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation



will remain in effect for any such SBL Mortgage until the repurchase has been completed.

A “Secondary Market Transaction Standstill Event” will be deemed to be in effect when one of the following occurs:

- i. Either the Federal Housing Finance Agency (FHFA), the U.S. Department of Treasury (Treasury), any successor to the FHFA or Treasury, or any other conservator or regulator with authority over Freddie Mac directs Freddie Mac to stop including SBL Mortgages as assets of a Secondary Market Transaction, and as a result, Freddie Mac has not included any SBL Mortgages as part of a Secondary Market Transaction for 30 consecutive calendar days.
- ii. Freddie Mac has declined to or is unable to include SBL Mortgages as assets of a Secondary Market Transaction for 120 consecutive calendar days for any reason other than the reasons set forth in Section 46SBL.4(e), subsection 4(i) above.

f. Notice of repurchase event (08/18/22)

Within five Business Days following its discovery of the occurrence of a 60 Day Delinquency or a Non-Monetary Default, the Seller/Servicer will provide Freddie Mac written notice of the occurrence of such event. If Freddie Mac discovers the occurrence of a 60 Day Delinquency or a Non-Monetary Default, Freddie Mac will provide written notice to the Seller/Servicer of such event.

g. Repurchase determination and notification to Seller/Servicers (08/18/22)

If an SBL Mortgage is subject to an SBL Repurchase Obligation during a Repurchase Period and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage (“SBL Repurchase Mortgage”), Freddie Mac will provide written notice to the Seller/Servicer of such election (“Repurchase Notice”).

The Seller/Servicer must purchase the SBL Repurchase Mortgage from Freddie Mac no later than 10 Business Days after its receipt of a Repurchase Notice from Freddie Mac (“Mandatory Repurchase Date”) by paying to Freddie Mac the Repurchase Price, which is described in Section 46SBL.4(h)(1).

Until the Seller/Servicer’s repurchase of an SBL Repurchase Mortgage, Freddie Mac, in its sole discretion, will direct and control any loss mitigation activities with respect to the SBL Repurchase Mortgage.

h. Repurchase requirements (06/24/25)

1. **Repurchase Price.** The “Repurchase Price” is the sum of the following amounts as of the date specified in the Repurchase Notice:
 - The unpaid principal balance of the SBL Repurchase Mortgage as of the anticipated date of repurchase (payoff)



- Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment (as described in Chapter 50) through the day before the anticipated repurchase
 - Any amounts advanced by Freddie Mac in connection with the SBL Repurchase Mortgage for which Freddie Mac has not been reimbursed
 - The greater of (a) any prepayment premium that would otherwise be payable by Borrower, pursuant to the terms of the Loan Documents, on the date of the repurchase, or (b) any hedge breakage costs incurred by Freddie Mac related to unwinding its hedge on the Mortgage
2. **Repurchase Expenses.** The Seller/Servicer will be responsible for all expenses payable in connection with the transfer of the SBL Repurchase Mortgage to the Seller/Servicer, including all documentary stamp taxes, recording fees, title insurance fees, transfer taxes and legal fees (“Repurchase Expenses”).
 3. **Repurchase Statement.** The Repurchase Notice will include an informational statement listing the Repurchase Price information described in Section 46SBL.4(h)(1) above, as well as any Repurchase Expenses owed to Freddie Mac. It will also include the Freddie Mac account information required for the Seller/Servicer’s wire transfer and any Repurchase Expenses incurred by Freddie Mac (“Repurchase Statement”).
 4. **Completion of Repurchase.** An SBL Repurchase Obligation with respect to an SBL Repurchase Mortgage will not be satisfied until the Seller/Servicer has satisfied the remittance and reporting requirements of Chapters 53 and 54 with respect to the repurchase.
 5. **Repurchase Obligation Default.** If the Seller/Servicer fails to repurchase the SBL Repurchase Mortgage by the Mandatory Repurchase Date (“Repurchase Obligation Default”), in addition to the Repurchase Price, Repurchase Expenses, and any other rights and remedies Freddie Mac may have with respect to the Seller/Servicer under the Guide (including suspension or termination of selling and servicing rights), Freddie Mac may charge the Seller/Servicer an interest reimbursement fee as provided in Section 53.11.

Following a Repurchase Obligation Default, Freddie Mac will recalculate the Repurchase Price, determine whether additional amounts are due, and provide the Seller/Servicer with a revised Repurchase Statement.

If the Seller/Servicer fails to repurchase an SBL Repurchase Mortgage within 10 Business Days following Freddie Mac’s transmission of a revised Repurchase Statement to the Seller/Servicer, in addition to the Repurchase Price and all other amounts due to Freddie Mac under this Section 46SBL.4(h)(5), the Seller/Servicer will become obligated to Freddie Mac for all SBL Losses (as defined in Section 46SBL.6) with respect to the SBL Repurchase Mortgage.

6. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other’s immediate attention any arithmetic or other error in any Repurchase Statement and diligently attempt to resolve any questions or claimed errors in the Repurchase

Statement. Absent patent error, Freddie Mac’s determination of the amount of the Repurchase Price will be final.

46SBL.5 Repurchase Options (04/22/25)

46SBL.5(a) During Repurchase Period (04/22/25)	46SBL.5(b) During the Loss Obligation Period (04/22/25)

This Section 46SBL.5 is applicable to all SBL Mortgages that have not been included as an asset for a Secondary Mortgage Transaction, irrespective of the date of origination of such SBL Mortgage. The Seller/Servicer may repurchase an SBL Mortgage (“Repurchase Option”) as provided below.

a. During Repurchase Period (04/22/25)

Prior to the expiration of the Repurchase Period for any SBL Mortgage, the Seller/Servicer may elect to exercise a Repurchase Option for any SBL Mortgage if the conditions below are satisfied.

1. SBL Borrower is in default under the applicable SBL Mortgage for either (i) a 60 Day Delinquency, or (ii) a Non-Monetary Default that has not been cured within 60 days (either a “Repurchase Option Eligible Default”).
2. The Seller/Servicer must exercise the Repurchase Option (i) not less than two Business Days prior to the initial pricing date of the Secondary Market Transaction for which the SBL Mortgage has been preliminarily designated as collateral, and (ii) prior to the Seller/Servicer’s receipt of a Repurchase Notice from Freddie Mac for any SBL Mortgage subject to a SBL Repurchase Obligation as described in Section 46SBL.4.
3. The Seller/Servicer must provide written notice to Freddie Mac of its Repurchase Option election, which notice must include all the following:
 - Freddie Mac loan number
 - Property name
 - Reason for the repurchase (e.g., the underlying default(s) triggering the applicable Repurchase Option Eligible Default)
 - Seller/Servicer’s estimate of the Repurchase Price (as defined in Section 46SBL.4(h))
4. Freddie Mac will verify the Repurchase Price and provide written confirmation of the Repurchase Price to the Seller/Servicer.
5. The Seller/Servicer must repurchase the SBL Mortgage within 10 Business Days following the receipt of written confirmation of the Repurchase Price from Freddie Mac. In addition to payment of the Repurchase Price, the Seller/Servicer will be responsible for the payment of any Repurchase Expenses (as defined in Section 46SBL.4(h)).

b. During the Loss Obligation Period (04/22/25)

During the Loss Obligation Period, the Seller/Servicer may exercise a Repurchase Option with respect to a Defaulted Mortgage (as defined in Section 46SBL.6(d)(1)) if all the conditions below are satisfied:

1. The SBL Mortgage has not been included as an asset for a Secondary Market Transaction.
2. The Seller/Servicer provides Freddie Mac written notice of its election to exercise its Repurchase Option that includes all of the requirements in Section 46SBL.5(a)(3).
3. The Seller/Servicer’s exercise of the Repurchase Option complies with Sections 46SBL.5(a)(4) and (5).
4. In addition to payment of the Repurchase Price and any Repurchase Expenses, the Servicer pays to Freddie Mac any applicable SBL Losses with respect to the Defaulted Mortgage as provided in Section 46SBL.6.

46SBL.6 Loss Obligation (06/24/25)

46SBL.6(a) SBL Loss Obligation (08/18/22)	46SBL.6(e) Loss Statement (08/18/22)
46SBL.6(b) Loss Obligation Period (08/18/22)	46SBL.6(f) Interim SBL Loss Information Statement (08/18/22)
46SBL.6(c) Loss Maximum (08/18/22)	46SBL.6(g) REO Property Repurchase Option (06/24/25)
46SBL.6(d) SBL Loss Obligation Calculation (09/28/18)	

a. SBL Loss Obligation (08/18/22)

For each SBL Mortgage, upon a Mortgage Default (as defined in Section 46SBL.6(d)(1)), if Freddie Mac suffers a loss with respect to an SBL Mortgage that has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise), the Seller/Servicer will be liable to Freddie Mac for the first loss/top loss on that SBL Mortgage up to the Loss Maximum defined in Section 46SBL.6(c) (“SBL Loss Obligation”), for the period set forth in Section 46SBL.6(b), calculated as set forth in Section 46SBL.6(d).

Notwithstanding the endorsement to Freddie Mac of any SBL Mortgage Note or other Loan Document by the Seller/Servicer “without recourse,” the Seller/Servicer acknowledges and agrees that it will be liable for the payment to Freddie Mac of its SBL Loss Obligation.

b. Loss Obligation Period (08/18/22)

The “Loss Obligation Period” for an SBL Mortgage is set forth in Sections 46SBL.6(b)(1) - (2).

1. The Seller/Servicer’s Loss Obligation Period commences immediately upon the expiration of the Repurchase Period for any SBL Mortgage that Freddie Mac has not



yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise).

2. The Loss Obligation Period for an SBL Mortgage will terminate upon the earlier to occur of the following:
 - The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.
 - The Seller/Servicer's payment of the applicable Loss Obligation for the SBL Mortgage as set forth on the Loss Statement, as described in Section 46SBL.6(e), subject to the Loss Maximum specified in Section 46SBL.6(c).
 - The Seller/Servicer's payment of the SBL REO Price for the Property secured by the SBL Mortgage, if the Seller/Servicer selected the REO Property Repurchase Option described in Section 46SBL.6(g).
 - The occurrence of a Secondary Market Transaction Standstill Event (as defined in Section 46SBL.4(d) above); provided, however, that if an SBL Mortgage is in the Loss Obligation Period and a Mortgage Default has occurred prior to the effective date of the Secondary Market Transaction Standstill Event, the SBL Loss Obligation will remain in effect for any such SBL Mortgage until the SBL Loss Obligation for that SBL Mortgage is satisfied.

c. Loss Maximum (08/18/22)

The maximum Seller/Servicer loss with respect to an SBL Loss Obligation ("Loss Maximum") for any SBL Mortgage will equal ten percent of the principal balance of the SBL Mortgage as of the Origination Date for the SBL Mortgage. The amount of the SBL Loss Obligation will be calculated as provided in Section 46SBL.6(d).

d. SBL Loss Obligation Calculation (09/28/18)

1. During the Loss Obligation Period for an SBL Mortgage, the occurrence of any event that entitles Freddie Mac to accelerate the indebtedness or seek other relief against the Borrower pursuant to the Loan Documents (subject to any applicable grace or cure period in the Loan Documents) is a "Mortgage Default," and the SBL Mortgage is a "Defaulted Mortgage."
2. For purposes of calculation of the amount of the loss for an SBL Mortgage ("SBL Loss"), if the Loan Documents provide a grace or cure period with respect to a failure by the Borrower to comply with one or more of its obligations, the Mortgage Default will be deemed to have occurred on the date of the failure, not the end of the grace or cure period.
3. The date on or after the Mortgage Default on which Freddie Mac calculates the SBL Loss is the "SBL Loss Obligation Calculation Date."
4. The terms "SBL Loss" or "SBL Losses" mean the sum of each of the following, minus any applicable Default Recoveries or Modification Recoveries:

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- The unpaid principal balance of the Defaulted Mortgage as of the Mortgage Default
 - Default or Modification Resolution Costs as of the SBL Loss Obligation Calculation Date
 - Interest due from Borrower under the Loan Documents from the date of the Mortgage Default until the SBL Loss Obligation Calculation Date not otherwise included in the calculation of Default or Modification Resolution Costs
5. “Default or Modification Resolution Costs” means the sum of the following paid or incurred by, or on behalf of, Freddie Mac:
- The cost, if any, of servicing by a third-party servicer of the SBL Mortgage while a Mortgage Default is continuing
 - All costs and expenses, including legal fees, and receivership fees and expenses, incurred in connection with any Loss Mitigation Activities
 - All costs and expenses, including legal fees, incurred in connection with a Bankruptcy Proceeding or a forbearance or the modification of the Loan Documents
 - All costs and expenses, incurred in connection with the rehabilitation, maintenance and/or operation of the Property securing the SBL Mortgage, including legal fees, receivership fees and expenses, taxes, insurance, management fees, maintenance salaries, utilities, leasing commissions and the cost of any repairs or improvements necessary to restore the Property to decent, habitable, safe and sanitary condition and necessary to maximize the value of the Property
 - All costs and expenses, including legal fees, sales commissions and third-party costs incurred in connection with the disposition of the Property or a forbearance or the modification of the Loan Documents
 - Any other payments due and owing from the Borrower to Freddie Mac

The reasonableness and necessity of all Default or Modification Resolution Costs will be determined by Freddie Mac in its sole discretion.

6. “Default Recoveries” means all the following amounts received by Freddie Mac:
- If the Property or Note evidencing or securing the SBL Mortgage has been sold, any amounts received from the sale of the Property or Note, net of any sales commissions, legal fees or costs of sale, other than those described in Section 46SBL.6(d)(5) above (excluding any fees, interest or other charges in connection with a mortgage made or purchased to facilitate the sale of the Property or Note)
 - If the Property or Note evidencing or securing the SBL Mortgage has not been sold, and the Property has been owned by Freddie Mac for 30 or more months, the Appraised Value of the Property (less necessary and reasonable operating costs)



- All rental or other income received by Freddie Mac from the operation of the Property (or from a court-appointed receiver) since the date of the Mortgage Default
- Any other amounts received from the Borrower on account of the SBL Mortgage since the date of the Mortgage Default
- Any amounts received from any guarantor(s) of the Borrower's obligations since the date of the Mortgage Default
- Any amounts received from any third party with respect to the Property, including insurance proceeds, condemnation proceeds, insurance premium rebates, property tax refunds, and vendor refunds rebates
- Any escrows, reserves or previously unapplied amounts that are applied against amounts owed under the SBL Mortgage
- The proceeds of any insurance policies not applied to restoration of the Property or obligations of the Borrower

7. "Modification Recoveries" means all the following amounts received by Freddie Mac:

- Any amounts received from the Borrower or any guarantor on account of the SBL Mortgage since the date of the Mortgage Default, which amounts have not been applied to principal or interest
- The present value (calculated at the original gross interest rate of the Note secured by the SBL Mortgage) of all payments due and owing to Freddie Mac through the date of maturity of the SBL Mortgage under the original terms of the Loan Documents, as modified or forborne

e. Loss Statement (08/18/22)

1. **Issuance of the Loss Statement.** Following the calculation of the SBL Loss and the applicable Loss Maximum, Freddie Mac will issue a loss statement to the Seller/Service ("Loss Statement") that includes the following information:
 - An itemized calculation of the SBL Loss with respect to the Defaulted Mortgage
 - The Freddie Mac account information required for the Seller/Service's wire transfer to Freddie Mac in satisfaction of the SBL Loss Obligation
2. **Remittance Due Date.** The Seller/Service must remit the amount due and payable to Freddie Mac identified on the Loss Statement within 10 Business Days after the date of the Loss Statement. Payment must be made by wire transfer of funds to the account as Freddie Mac designates in the Loss Statement.
3. **Statement Errors.** The Seller/Service and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Loss Statement and diligently attempt to resolve any questions or claimed errors in the Loss Statement. Absent



patent error, Freddie Mac's determination of the amount of the SBL Loss Obligation will be final.

f. Interim SBL Loss Information Statement (08/18/22)

Upon the request of the Seller/Servicer, if a Mortgage Default has occurred and is continuing, Freddie Mac will transmit to the Seller/Servicer an informational statement setting forth the accrued SBL Loss for the SBL Mortgage as of the date of the informational statement ("Interim Loss Information Statement").

The Interim Loss Information Statement will contain the same information that would be provided in a Loss Statement, with the amounts calculated as though the date of the Interim Loss Information Statement was an SBL Loss Obligation Calculation Date. Freddie Mac will not be required to provide the Seller/Servicer with an Interim Loss Information Statement for a Defaulted Mortgage more than once each calendar quarter. The Seller/Servicer agrees that any Interim Loss Information Statement is for informational purposes only and if there is a conflict between an Interim Loss Information Statement and an SBL Loss Statement, the SBL Loss Statement will control.

g. REO Property Repurchase Option (06/24/25)

If the Property securing a Defaulted Mortgage becomes an REO Property ("REO Property"), the Seller/Servicer may elect to purchase the REO Property in lieu of paying the SBL Loss. The purchase price for the REO Property will be calculated as follows ("SBL REO Price"):

- The sum of each of the following:
 - The unpaid principal balance of the Defaulted Mortgage as of the acquisition date or the date of acceptance of a deed in lieu of foreclosure
 - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before the Seller/Servicer's purchase of the REO Property
 - Any expenses reimbursed by Freddie Mac to the Servicer
 - Any expenses incurred by Freddie Mac in marketing the REO Property
 - The greater of (a) any prepayment premium that would otherwise be payable by Borrower, pursuant to the terms of the Loan Documents, on the date the Property became an REO Property, or (b) any hedge breakage costs incurred by Freddie Mac related to unwinding its hedge on the Mortgage
- Reduced by each of the following:
 - Any sale proceeds
 - Other proceeds or refunds remitted to Freddie Mac by or on behalf of the Servicer, except any rental proceeds remitted or due to Freddie Mac



At Freddie Mac's discretion, the SBL REO Price will include an amount equal to any loss, damage or expense, including court costs, costs of investigation and reasonable attorney fees, incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller/Service of Freddie Mac's interest in the REO Property. In addition, the Seller/Service must pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of the REO Property to the Seller/Service, including legal fees.

Multifamily Seller/Service Guide

Chapter 55

Documentation and Deliveries



Documentation and Deliveries	
55.1 Use of Chapter 55 (10/21/25)	55.3 Requirements for documents contained in the prescreen package (08/26/25)
55.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (08/25/26)	



55.1 Use of Chapter 55 (10/21/25)

55.1(a) Preparing an underwriting package (12/14/23)	55.1(d) Notification requirements regarding updates to the underwriting package (02/16/23)
55.1(b) Resubmission of an underwriting package (05/11/10)	55.1(e) Ability to request additional information (04/13/23)
55.1(c) Preparing documentation required for a Transfer of Ownership (06/29/17)	55.1(f) Irrevocable license to use documentation delivered (10/21/25)

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.

f. Irrevocable license to use documentation delivered (10/21/25)

Seller/Servicer hereby grants to Freddie Mac a nonexclusive, perpetual, irrevocable, transferable, assignable, fully paid, royalty-free worldwide license (including the right to

grant sublicenses to its affiliates, contractors, successors, and assigns) to use, copy, modify, distribute, display, perform, disclose, create derivative works from, and otherwise exploit all source documentation, due diligence and other underwriting documentation and records of whatever kind or description (whether prepared, originated or maintained by the Seller/Service, Borrower or others acting for or on behalf of the Seller/Service or Borrower, as applicable) delivered to Freddie Mac in connection with a prescreen package or underwriting package in whole or in part, for any purpose and in any media or format now known or hereafter developed, without limitation.

55.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (~~06/23~~08/25/26)

[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.
Access easement and Essential Facilities and/or Recreational Facilities easement documentation	The Seller must provide Freddie Mac with the following documentation: • 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.”



Document	Requirements
Aged Receivables Report	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. Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time. The document(s) must be certified using the Borrower and Key Borrower Principal Blanket Certification, Form 1112.
Application fee (for Bond Credit Enhancement Mortgages)	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/Serviceers. The Seller must send the wire transfer to the attention of <i>Multifamily Cash Management</i>. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The application fee amount is found in the Commitment.
Appraisal	The Seller/Serviceer 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. <u>Seniors Housing Mortgages</u> For a Seniors Housing Mortgage, the Appraisal must meet the requirements of Chapter 60 and Section 21.16. <u>Forward Commitments</u> The Seller/Serviceer must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.30 for requirements specific to Forward Commitments. <u>Mod Rehab</u> The Seller/Serviceer must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Mod Rehab Mortgages. <u>Preservation Rehabilitation</u>



Document	Requirements
	The Seller/Servicer must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Preservation Rehabilitation Mortgages. <u>Mortgage with Utility Efficiency Loan option</u> The Seller/Servicer must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.29 for requirements specific to Mortgages with the Utility Efficiency Loan option.
Appraisal Revision Summary	For a Mortgage taken under application on or after June 2, 2025, the Seller/Servicer must provide an Appraisal Revision Summary as required by Section 60.10. The Seller/Servicer may use the Freddie Mac template or another format as long as it includes the information required in Section 60.10.
Bond distribution list	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.
Borrower and Key Borrower Principal Blanket Certification, Form 1112	Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation: • Property Financial Statements (Historical and Budgeted) • Rent Roll • Real Estate Schedule • 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.) 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). The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.



Document	Requirements
Borrower and Key Borrower Principal Certificate, Form 1115	If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with the Form 1115, Borrower and Key Borrower Principal Certificate, executed by each Borrower or Key Borrower Principal. Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals: 1. Past mortgage payment and default experience 2. History of criminal, administrative, and/or litigation proceedings Form 1115 must not be dated more than 60 days prior to the date of submission of the applicable underwriting package. For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form 1115. The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date. LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1115 unless specifically requested by Freddie Mac.
Borrower's budgeted property financial statements	See " property financial statements ."
Breakdown of construction costs	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. For current or planned construction, see "capital improvement documentation." The document(s) must be certified using Borrower and Key Borrower Principal Blanket Certification, Form 1112.
Building code violation documentation	The Seller must provide building code violation documentation in one of two ways: • In the form of a letter or other documentation from the local building code enforcement office which must verify that:



Document	Requirements
	○ 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 <u>Form 1108, Physical Risk Report</u>, <u>Form 1108, Physical Risk Report</u>, for a Mortgage that meets all of the following conditions: ○ 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 If the local building code enforcement office will not provide such a letter, Freddie Mac will accept a certified verification from the Borrower.
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	When required by Freddie Mac, the Seller must submit: • 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. The document(s) must be certified using <u>Form 1112, Borrower and Key Borrower Principal Blanket Certification</u>.



Document	Requirements
Certification — Organizational Chart, Form 1114	A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new Form 1114, Certification — Organizational Chart .
Certificate of Good Standing from the Construction Lender	A letter or other documentation certifying that the Borrower is in good standing under the terms of the Construction Loan.
Certification Regarding Payment of Fees and Expenses of Freddie Mac's Outside Counsel	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).
Certified cost accounting	The Seller must provide to Freddie Mac a certified cost accounting of total project costs, including hard and soft costs. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification .
Certified Organizational Chart	An Organizational Chart that is certified using <i>Certification — Organizational Chart</i> , Form 1114 .
Commercial lease documentation	The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property. 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. 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. See Section 8.11 for requirements regarding commercial lease SNDAs, subordinations, and estoppels; see Section 8.2(b) for commercial use requirements.



Document	Requirements
Complete Borrower/Key Borrower Principal Due Diligence Package	A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115, Borrower and Key Borrower Principal Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals; a credit report for Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and Liquidity verification documentation, if applicable. It is submitted as part of the underwriting package and/or prescreen package to Freddie Mac. 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.
Condominium Analysis	If the Property is subject to a condominium regime, the Seller must submit the following information to Freddie Mac: • 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 • If the Borrower does not own 100 percent of the real property that is subject to the Condominium regime, whether the Property is: ○ 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 This information may be included in the Mortgage Transaction Narrative Analysis.
Confirmation of compliance or a	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



Document	Requirements
request for approval of shared facilities or access	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.
Construction completion documents	The Seller must include the following documents in the Forward Commitment underwriting package for Conversion: • Post-construction analysis report ○ 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 ○ 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/Service's Chief Architect/Engineer, indicating that the finished project has been completed, lien-free and in accordance with all other applicable requirements, substantially in accordance with the plans and specifications reviewed at the issuance of the Forward Commitment • Environmental assessment report • A certified cost accounting of total project costs, including hard and soft costs See Section 63.5 for additional information.
Construction documentation for	For a review by Freddie Mac, the Seller must provide:



Document	Requirements
Forward Commitments	• The final pre-construction analysis report described in Section 63.3(a) • A narrative summary, prepared by the Seller's Chief Architect/Engineer, as outlined in Section 63.3(c)
Cooperative analysis	If the Property is owned by a cooperative housing corporation, the Seller must submit to Freddie Mac a cooperative analysis that includes 1. The following information as it pertains to the sellout of the cooperative: • 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 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



Document	Requirements
	- Analysis of the estimated value of the Property as a cooperative (co-op) and as a rental project - 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 - Analysis of maintenance costs compared to market rents for each unit type
Credit reports	The Seller must provide to Freddie Mac a current credit report with redacted Social Security numbers on each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must: - Be reviewed by the Seller - Be issued by an independent credit reporting agency acceptable to Freddie Mac - Be dated within 60 days before delivery to Freddie Mac - Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings - List any other debts - List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records - Include FICO® scores
Current property financial statements	See " property financial statements ."
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,



Document	Requirements
	as determined by gross potential rent less concessions, for each of the most recent three years, or for each year since the completion of construction, whichever is less.
Employer Enabled Permanent Supportive Housing (EPSH) Borrower Certification, Form 1134	Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification, must be used to certify that the Borrower has a discounted employee unit/units at the Property that is/are subject to the EPSH Partnership Agreement (included as an exhibit to Form 1134). The Form 1134 will include the number of EPSH units at the Property as well as the total annualized discounted rent for those units. The Form 1134 must be executed by the Borrower and provided with the full underwriting package for a loan to qualify for the benefits described in the EPSH Fact Sheet.
Employer Enabled Permanent Supportive Housing (EPSH) Partnership Agreement	A fully executed agreement between the Sponsor and a Nonprofit Entity to offer discounted units to employees sourced via the Nonprofit Entity's job matching network for those at risk of homelessness without subsidy or financial incentive to the Sponsor. The agreement should quantify the discount to be offered if a candidate is hired and must be provided as an exhibit to Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification, for a loan to qualify for the benefits described in the EPSH Fact Sheet.
Energize Denver	The Seller must provide the following for Properties in the City and County of Denver: • For buildings of 25,000 square feet or larger: 1. Property documentation of accepted benchmarking status in the Energize Denver Management Portal 2. Borrower's retrofit plan. Retrofit plan must include estimated cost of improvements, timeline and projected energy reduction. 3. Borrower's business plan and intent related to Energize Denver 4. Screenshot of the property data in the Energize Denver Forecasting Calculator, which includes the most recent Energy Use Intensity (EUI) and all forecasted fines based on current levels • For buildings of 5,000 to 24,999 square feet:



Document	Requirements
	1. Documentation showing the Property is in compliance in the Energize Denver Building Look Up Tool. No further documentation is required if the Property is in compliance. 2. Borrower's business plan and intent related to Energize Denver 3. Borrower's retrofit plan. Retrofit plan must include estimated cost of improvements and timeline.
Environmental report and alternatives	The Seller must provide to Freddie Mac an environmental report meeting the requirements of Chapter 61. <u>Supplemental Mortgages</u> An environmental report is required under this product when • 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. <u>For each Supplemental Mortgage for which Freddie Mac does not require an environmental report, the Seller must:</u> • 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. For Mortgages under a Forward Commitment, see Section 61.1(b)(1) for the requirements applicable to an environmental report prepared by a consultant retained or directed by the Borrower.



Document	Requirements
EPA Energy Star Score	A score obtained using the U.S. Environmental Protection Agency's (EPA's) Portfolio Manager®, used by Borrowers seeking a Utility Efficiency Loan.
Equity Conflict of Interest statement	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: • 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	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: • 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 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. 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 • <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



Document	Requirements
	documentation from the taxing authority or the governing body confirming: • 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 See the Tax Abatement/Exemption/PILOT Questionnaire for additional details concerning the documentation to be provided in the underwriting package for all tax abatements. The Tax Abatement/Exemption/PILOT Questionnaire is found on the legal document pages of mf.freddiemac.com.
Exclusionary List	See Section 2.18.
Financial statements of Borrower and Key Borrower Principals – certified	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. Each financial statement must include the following: • 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 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. 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. In addition, the Seller must provide a list of:



Document	Requirements
	• 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's or Key Borrower Principal's financial position immediately or during the term of the Mortgage The Seller must review the financial statements. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. LIHTC Investors that are U.S. publicly traded entities are not required to submit financial statements unless specifically requested by Freddie Mac. 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.
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	For a Property subject to a ground lease, the Seller must provide to Freddie Mac all of the following, with a copy of each to the applicable <i>Multifamily Attorney</i>. See Chapter 30. • 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



Document	Requirements
Historical property financial statements	See “ property financial statements .”
Land Use Restriction Agreement (LURA)/ regulatory agreement	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). See also “rent, income and use restriction documentation.”
Legal Issues Analysis (LIA) form	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.freddiemac.com/lenders/legal. See the entry for preliminary legal issues memorandum (PLIM), below, for the analysis required for Servicing transactions.
Liquidity verification documentation	Each party below must provide bank or brokerage statements either: (i) reflecting an average balance for the preceding 12-month period or (ii) from each of the preceding three consecutive months: • Each Key Borrower Principal with Ultimate Control meeting the definition of: (i) a First-Time Sponsor, (ii) a Limited Multifamily Experience Sponsor, or (iii) a Rapid Growth Sponsor • Each Guarantor meeting the definition of: (i) a First-Time Sponsor, (ii) a Limited Multifamily Experience Sponsor, or (iii) a Rapid Growth Sponsor The bank or brokerage statement(s) must be: • In the name of the Key Borrower Principal that is subject to the liquidity verification. If it is in the name of a different party, consult with the Freddie Mac underwriter to determine acceptability. • Dated within 60 days of delivery of the full underwriting package. When providing statements for each of the preceding three consecutive months, the most recent statement must be dated within 60 days of delivery of the full underwriting package and the average of the three months will be used. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.

Document	Requirements
	For Key Borrower Principals noted above, verified Liquidity is required in an amount equal to the lesser of: (i) the Liquidity amount reported in such Key Borrower Principal’s certified financial statement, and (ii) 2x the minimum Liquidity requirement stated in the Quote (or the minimum Liquidity required for an assumption, as applicable). Each Key Borrower Principal subject to this Liquidity verification requirement must satisfy the requirement based on their respective certified financial statement. The verification activity is not conducted on a combined basis. Additionally, the verified Liquidity will be the basis of any Liquidity determination, including as it relates to certain Liquidity thresholds required by the Guide. This includes, but is not limited to, the assessment of the funds needed to close for an acquisition (see Sources & Uses section below). With the delivery of the full underwriting package, the Seller must submit a summary of their analysis of the bank or brokerage statements (“Liquidity Verification Worksheet”), including a listing of each account verified, date of the statement, verified liquidity amount, and comparison to the stated requirement. The Seller may use their own format, provided it contains the required information, but a sample Liquidity Verification Worksheet template can be found on mf.freddiemac.com/lenders/uw. For example, if a Key Borrower Principal reports \$50 million in Liquidity on their certified financial statement but is requesting a \$25 million loan (minimum Liquidity requirement of \$2.5 million per the Quote sheet), the Seller will be required to verify \$5 million (2x the Quote requirement) via bank or brokerage statements. In the event the verified Liquidity does not support the lesser of: (i) the certified financial statement or (ii) 2x the minimum Liquidity requirement stated in the Quote (or the minimum Liquidity required for an assumption, as applicable), an explanation that is acceptable to Freddie Mac must be provided in the Mortgage Transaction Narrative Analysis or the Liquidity Verification Worksheet (or the Transfer of Ownership/Assumption request form, as applicable). Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor, Limited Multifamily Experience Sponsor, or Rapid Growth Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using Form 1112.



Document	Requirements
	U.S. Public Companies and Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors are not required to submit Liquidity verification documentation.
Low-Income Housing Tax Credit (LIHTC) Compliance/Monitoring for Income Averaging documentation	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.
Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation	The Seller must provide a copy of: • 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 (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	• 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



Document	Requirements
	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
Manufactured Housing Community (MHC) (unless MHROC, government-owned, or non-profit-owned)	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: - 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. 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 acknowledgment from the Applicable MHC Residents of the above Form of Agreement is required. See the MHC Tenant Protections section in the LIA. - 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.
Manufactured Housing Resident-Owned Community (MHROC) Analysis	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>.



Document	Requirements
Market study	The Seller must provide an independent, third-party market study including the following information: 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 Freddie Mac will also accept a market study incorporated into the Appraisal, per the requirements of Section 60.20. For a Forward Commitment, the market study must support the underwriting assumptions.
Master lease documentation	For a Property subject to a master lease, the Seller must provide: • 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
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 on the Mortgage Transaction Narrative Analysis – Best Practices. a. <u>The mortgage transaction narrative analysis must contain the following:</u> 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



Document	Requirements
	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 indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor, a Limited Multifamily Experience Sponsor, or a Rapid Growth Sponsor, as provided in Section 9.2(d), • An estimate of the financial capacity of the Borrower and each Key Borrower Principal (that is, estimated net worth, Liquidity and contingent liabilities), and • For TAH Mortgages, a summary of the qualifications of any Borrower Principal whose experience is significant to the success of the deal. 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. 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) 11. For refinance transactions, a description of the existing mortgage on the Property, including the current unpaid principal balance, current lender, and any other information that could be material to Freddie Mac in its underwriting or approval of the transaction. A refinance of an existing Freddie Mac



Document	Requirements
	Mortgage must be clearly identified. 12. Proposed sources and uses of funds 13. Cash equity at risk 14. Documentation of Real Estate Schedule – Form 1116 verification, including if unable to verify the ownership information for the sample, if any discrepancies are found, or if alternative method of verification approved by Freddie Mac, if verification applicable per Section 11.6. 15. Documentation of historical financial statement reconciliation for refinances of Freddie Mac Mortgages and Supplemental Mortgages, including the statements reviewed and any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7 16. Documentation of Sponsor Meeting, if applicable, per Section 11.8 17. Any exception requests The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8.15(a). <u>b. In addition to items a. 1 – 16 above, as applicable, for Seniors Housing Mortgages include:</u> 1. Property type (Independent Living Property, Assisted Living Property, Alzheimers/Dementia Care Property or Continuing Care Retirement Community (CCRC)) 2. Number of units and beds 3. Average monthly rent 4. Percentage of skilled nursing beds, if applicable 5. Percentage of net income derived from skilled nursing beds, if applicable 6. An evaluation of the Borrower's and Third-party Operator's (if any) experience at the Property and its other properties



Document	Requirements
	7. The discussion of surrounding property uses must also include hospitals, seniors centers, libraries, restaurants and hotels 8. 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. 9. The State and/or regional location of all properties under management 10. The type and number of acuity of the units managed or owned 11. 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 <u>c. In addition to items a. 1 – 16 above, for a Supplemental Mortgage behind a Securitized First Mortgage, include:</u> 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 <u>d. In addition to items a. 1 – 16 above, for a Mortgage securing a Property subject to a condominium regime:</u> See “Condominium Analysis.” <u>e. In addition to items a. 1 ~~– 16~~ above, for a Mod Rehab Mortgage:</u> 1. Summary of renovation scope, budget, and renovation and lease-up schedule. 2. Tax analysis for both the as-is value and the hypothetical as-if renovated and stabilized today value with support tailored to



Document	Requirements
	the Property's jurisdiction. - 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. - Analysis of any anticipated rent increases or expense savings as a result of the planned renovations at the subject property.
Occupancy history	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. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Optigo Lender's Fee Certification – Conventional and Targeted Affordable Housing form	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.
Organizational Charts – Borrower, Guarantor (not in Borrower's organizational structure), Master Tenant, Operator, or Pre-Approved Transferee (not in Borrower's organizational structure)	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: - 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
	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 100 percent of the ownership interest in Borrower must be shown. The Seller/Service's counsel must review the Organizational Chart. See Guidance – Organizational Charts at mf.freddiemac.com/lenders/uw.
Payroll schedule	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. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Photographs	The Seller must submit to Freddie Mac photographs clearly illustrating all aspects of the Property, including exterior, interior and street scenes.
Physical Risk Report – Form 1108	The Seller/Service has the option to provide to Freddie Mac a completed ~~Form 1108, Physical Risk Report~~, 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: - 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
Post-construction analysis report	A post-construction analysis report meeting the requirements of Section 63.5 is required. 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.
Pre-construction analysis report	A pre-construction analysis report meeting the requirements of Section 63.3(a) is required. 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.
Preliminary legal issues memorandum (PLIM)	The Legal Issues Analysis form is used to prepare the preliminary legal issues memorandum (PLIM) prior to loan origination. 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.
Property condition report	The Seller must provide to Freddie Mac a property condition report meeting the requirements of Chapter 62. 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.
Property financial statements	The Seller must provide to Freddie Mac financial statements as specified below. Each operating statement must be dated and expressly identify within the document itself the time period to which it relates. Historical property financial statements 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. Additionally, Seller must provide a statement for the twelve-month period prior to the month in which the Borrower has made the



Document	Requirements
	financing request (current property financial statement in a T-12 format). If available, this statement must reflect monthly operations for each of the preceding 12 months. If a monthly summary statement is not available, the Seller must provide a current fiscal year-to-date Property financial statement and a monthly statement for each of the three months prior to the month in which the Borrower has made the financing request. In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping months between T-12 and the prior year property financial statement. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. Borrower's budgeted property financial statements The Borrower's budget for the following 12-month period The document(s) must be certified using Form 1112. The Seller must review the property financial statements, which must include income and expense statements. If the financial statements are audited, they must include a statement of changes in financial position and all notes. For a refinance 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. For (i) a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, or (ii) a Supplemental Mortgage where the Seller both originated the senior Mortgage and is the current Servicer of the senior Mortgage, the Seller must also provide the Servicing Statements used to reconcile the historical property financial statements as required in Section 11.7(b) if such Servicing Statements are not already present in DMS for the existing Mortgage.
Property inspection documentation	- 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)



Document	Requirements
	• Prior to commitment issuance under an Unfunded Forward Commitment, a Forward Commitment Property Inspection is not required unless requested by Freddie Mac in its discretion. If requested, it must meet the requirements as described in Section 8.16 • For a Funded Forward Commitment, a Forward Commitment Property Inspection is required 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) The inspection requirements must be completed within 90 days of Freddie Mac's receipt of the applicable underwriting package. 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. 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. See Section 8.15 for additional information regarding property inspection requirements. For (i) a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, or (ii) a Supplemental Mortgage where the Seller both originated the senior Mortgage and is the current Servicer of the senior Mortgage, the Seller must also provide the most recent annual servicing inspection report if such inspection report is not already present in DMS for the existing Mortgage.
Proposed transaction schedule	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a proposed transaction schedule that sets forth the schedule and timing for the bond transaction, including the scheduled conference calls, timing for the delivery of documents and the closing date.
Purchase agreement documentation	For acquisition loans, the Seller must submit to Freddie Mac: • A copy of the purchase agreement and all amendments



Document	Requirements
	An analysis of the purchase agreement and all amendments by Seller's counsel using the Purchase Agreement Analysis form 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.
Quote	The Seller must provide a copy of any written Quote issued by Freddie Mac, or a statement indicating the date and terms of the verbal Quote the Borrower has selected.
Real Estate Schedule, Form 1116	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 ownership and/or Control. An Excel version of the Real Estate Schedule is required. If alternative documentation to Form 1116 is submitted, this documentation must be materially similar, include all key data points necessary to properly assess risk, and be acceptable to Freddie Mac. NOTE: A Real Estate Schedule is not required for the Seller/Service or its affiliate when the Seller/Service or its affiliate has an equity interest in the Borrower in the form of a Preferred Equity investment and is a Pre-Approved Transferee under the Mortgage. 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. The Key Borrower Principal must: - Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following: - 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 LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1116 unless specifically requested by Freddie Mac.



Document	Requirements
	The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. If the Property is a Cooperative or MHROC, the Form 1116 may be waived.
Real Estate Schedule Addendum – Seniors Housing	See “ Seniors Housing Real Estate Schedule Addendum .”
Real estate tax bill	If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property's local taxing authority. If the Mortgage is being originated for the purpose of new construction, a real estate tax bill is not required.
Registration of rental units (rent control/stabilization)	Properties in New York For Properties in New York, the Seller must provide to Freddie Mac: (i) 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, (ii) a current certified Division of Housing & Community Renewal (DHCR) rent roll or equivalent, and (iii) any information necessary to justify underwritten rents above legal rents, which is acceptable to Freddie Mac at its discretion. An example is the annual Rent Guideline Board's (RGB) rent increase allowances. Properties in other States 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.
Renovation documentation – Mod Rehab Mortgages and Preservation Rehabilitation Mortgages	For all Mod Rehab Mortgages, the Seller/Servicer must provide the documentation listed below. For a Preservation Rehabilitation Mortgage, Freddie Mac may request the Seller/Servicer 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. - Construction budget – hard costs and material quantities - Development budget – total project costs, including soft costs, financing costs, land acquisition expenses and hard costs



Document	Requirements
	• 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 and sealed by the associated professional • 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 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. • Sponsor certification regarding all work completed and costs expended • All executed change orders to date • All construction monitoring reports to date. 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. See Chapter 63 for additional information about renovation documentation.



Document	Requirements
Rent, income and use restriction documentation	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. If applicable, see also: • 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 • Rental Assistance Contract (including Long Term and Short Term Rental Assistance Contracts) • Registration of rental units (rent control/stabilization)
Rent roll	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. • Is dated within 30 days of the underwriting package submission. • Is complete with respect to the required information below for each unit: <u>For a Property that is not secured by a Seniors Housing Mortgage:</u> 1. "As of" date of the rent roll clearly indicated within the document 2. Tenant's name(s) 3. Unit number or identification 4. Unit type (number of bedrooms and bathrooms) 5. Square footage of each unit 6. Occupancy status by unit and by bed, if applicable 7. Identification of any employee units, model units, corporate units and units used as rental offices 8. Monthly contract rent 9. Concessions, rebates or discounts given to tenant, if applicable



Document	Requirements
	10. Arrearages owed by tenant, if any 11. Subsidies, if applicable (specify type) 12. Rent controlled or rent stabilized, if applicable 13. Original occupancy date, per tenant 14. Lease commencement date 15. Lease expiration date and renewal options, if any 16. Month-to-month status, per tenant 17. Amount of security deposit held 18. Furnished or unfurnished status The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. <u>For a Property secured by a Seniors Housing Mortgage:</u> 1. "As of" date of the rent roll clearly indicated within the document 2. Tenant's name(s) 3. Unit number or identification 4. Unit type (number of bedrooms and bathrooms) 5. Occupancy status 6. Identification of any employee units, model units, corporate units and units used as rental offices 7. Monthly rent and concessions, if applicable, without regard to any applicable additional resident fees, subsidies, or concessions, rebates or discounts given to tenant. If Property or resident receives any Medicaid income, Medicaid subsidy/ reimbursement must be listed separately from the rent the resident pays. 8. Entrance fees, community fees or other upfront fees held or charged (refundable or nonrefundable) 9. Additional fees for second residents, if applicable. If the unit has two unrelated occupants, rents for each resident should be



Document	Requirements
	combined. 10. Fees for resident care associated with Activities of Daily Living (ADLs) 11. Miscellaneous ancillary fees, such as furniture rental, beautician, unscheduled transportation or interest income 12. Arrearages owed by tenant, if any 13. Lease commencement date 14. Original occupancy date, per tenant 15. Lease expiration date and renewal options, if any 16. Month-to-month status, per tenant 17. Amount of security deposit held The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. <u>For Mortgages originated under a Forward Commitment:</u> 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 In addition to the rent roll, for an LIHTC Property where the Income Averaging Set-Aside has been applied, the Seller must provide a rent roll analysis confirming that rents on the Origination Date will meet the average AMI requirements. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Rental Assistance Contract (including Long Term and Short Term Rental Assistance Contracts)	The Seller must provide, if applicable: • Copies of the original Rental Assistance 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) and/or the Rental Assistance



Document	Requirements
	contract administrator - Rental Assistance Contract Analysis (available at https://mf.freddiemac.com/docs/rental_assistance_contract_analysis.docx), completed by both Seller and Seller's counsel - Evidence of HUD form 2530 clearance for Borrower, Borrower Principals and Management Agent (or other comparable evidence in the case of a non-HUD Rental Assistance Contract) - HUD Management and Occupancy Review MOR Form (or other comparable deliverable in the case of a non-HUD Rental Assistance Contract) - Current HUD REAC or NSPIRE Score (or other comparable score in the case of a non-HUD Rental Assistance Contract) - The most recent HUD Inspection Report, if the current REAC or NSPIRE Score is less than 80 and the Property is required to undergo an annual HUD inspection (or other comparable deliverable in the case of a non-HUD Rental Assistance) See "rent, income and use restriction documentation."
Residential lease sample	Freddie Mac requires the property inspector to upload, to DMS as part of the required Property inspection documentation, a sample or unexecuted residential lease or an executed residential lease.
Seismic risk documentation	If a Property is located in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64.2. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary .
Seller's certification and disclosure of any HUD-2530 issues relating to the Borrower Principal and Property Manager	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



Document	Requirements
	satisfactory and timely manner.
Seller's certification regarding compliance with representations and warranties	The Seller must provide to Freddie Mac the following certification in a letter on the Seller's stationery: “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.”
Seller's mortgage loan application with Borrower	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). For any Mortgage, the mortgage loan application must include the following authorization by the Borrower: “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.” For any cash execution Mortgage, the mortgage loan application must also include the following acknowledgments by the Borrower: • “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.”



Document	Requirements
	“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.” For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement program, the mortgage loan application must include the following authorization by the Borrower: “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.”
Seller’s pro forma property financial statements	The ~~Seller must prepare the~~ Seller’s pro forma property financial ~~statements~~<u>statement</u> for the next 12 months.— <u>must be prepared by the Seller and included in the Loan Submission Template (LST).</u> The ~~statements~~<u>Seller’s financial statement documentation</u> must include <u>the Seller’s summary spread of the property financial statements, including</u> historical and <u>T-12 statements (or year-to-date annualized income and expense information for comparison purposes if a monthly statement format is not available), as well as the Borrower’s budgeted property financial statement and appraisal pro forma.</u> <u>Freddie Mac expects the Seller’s summary spread to match the underlying source documents. Any variations or adjustments from the source documents must be clearly disclosed and explained in either the Mortgage Transaction Narrative Analysis (MTNA), an Excel-based reconciliation document, or another format acceptable to Freddie Mac. Expense line items sometimes found in property financial statements but not captured in the LST – such as interest expense, depreciation, and amortization – do not require an explanation.</u> <u>A full underwriting package is not considered complete unless it includes an acceptable LST and any required explanation of adjustments.</u>



Document	Requirements
Seniors Housing agreements and contracts	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: • For preparing and serving food (not including food supply contracts) • For medical services, healthcare provider agreements, or resident monitoring systems, regardless of annual consideration or term, or • Of which the average annual consideration, directly or indirectly, is at least \$50,000 Generally, copies of contracts for routine maintenance such as landscaping, snow removal or general office equipment are not required. 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. 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.
Seniors Housing Liability Assessment	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. The Seniors Housing Liability Assessment must be performed by a professional meeting the requirements of Section 21.2(i) and the Seller/Service must document the suitability of the professional in the Liability Assessment. The Seniors Housing Liability Assessment must address the following topics: 1. Professional Qualifications



Document	Requirements
	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: 1. Scope of work 2. Quality of recommendations given 3. Quality of resources provided 4. Timeliness of work product d. Sample work product: 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 2. Employee Practices 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 3. Management Practices



Document	Requirements
	a. Key Topics 1. Evidence of written employee policies and procedures manual 2. Staff orientation, screening and discipline regarding resident care issues b. List of key Property level staff including: 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 c. Identification of the availability and usage of home health services including: 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 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. e. Corporate / Regional Support and Quality Assurance: 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 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



Document	Requirements
	4. Resident Practices: a. The following must be provided, documented, and analyzed regarding resident practices: 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: 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 5. Regulatory Compliance: 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:



Document	Requirements
	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: 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. g. If the Property receives any sort of subsidy program (for example Medicaid/ Medicare), then the report must include the following: 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. Recommendation / Summary: a. Onsite inspection of the Property



Document	Requirements
	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
Seniors Housing licenses and certificates	The Seller must provide the following to Freddie Mac: • 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 See Section 21.3(e) for additional license requirements. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Seniors Housing list of furniture, fixtures, equipment and motor vehicles	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. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. If all FF&E is owned by the Borrower, the Seller must provide a certification from the Borrower to that effect. 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.



Document	Requirements
Seniors Housing Management Assessment	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. 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. The Seller may prepare the Seniors Housing Management Assessment or may contract for its preparation by a third-party. The Seniors Housing Management Assessment must address each of the categories outlined below: 1. Management structure and experience 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 2. Employee / Management Practices a. Corporate, regional, and Property level hiring and retention practices b. Interaction between corporate / regional staff with Property level staff c. Corporate training practices 3. Healthcare IT 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. 4. Risk Management Program a. Corporate policies and procedures for reviewing, investigating, and reporting incidents and accidents b. Corporate level assessment of operations and clinical issues



Document	Requirements
	c. Corporate GL/PL insurance overview 5. Regulatory Compliance Corporate quality assurance program practices. 6. Summary and Conclusion Overall conclusion on the competency of Manager or Operator experience and capabilities and whether they meet, exceed, or fall short of industry standards.
Seniors Housing operating lease	For any operating lease at the Property that will be in place on the Origination Date, the Seller must provide: • A copy of the complete operating lease; and • An Operating Lease Analysis completed by the Seller's counsel, using the form available at mf.freddiemac.com/lenders/legal
Seniors Housing Real Estate Schedule Addendum	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: 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 The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Sources and Uses	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.



Document	Requirements
	For acquisitions, the following will be assessed against the funds needed to close (purchase price plus closing costs): • The verified Liquidity for Key Borrower Principals in the case of a: (i) First-Time Sponsor, (ii) Limited Multifamily Experience Sponsor, or (iii) Rapid Growth Sponsor; followed by • Certified Liquidity for all other Key Borrower Principals If this aggregate Liquidity is less than the funds needed to close, then, in the event there is any additional liquidity noted in the certified financial statement for the (i) First-Time Sponsor, (ii) Limited Multifamily Experience Sponsor, or (iii) Rapid Growth Sponsor that exceeds the verified Liquidity for such Sponsor, additional Liquidity verification (supported by Liquidity Verification Documentation) must be performed and submitted for such Sponsor in order to support the funds needed to close. If, after assessing all possible verified Liquidity and certified Liquidity, this Liquidity is determined to still be insufficient, Seller may be required to provide a detailed explanation of the source of funds necessary to close (including party names and respective equity contribution), certified by the Borrower, along with any supporting documentation as required by Freddie Mac. Sources and uses may be included in the mortgage transaction narrative analysis.
Student Housing Questionnaire, Form 1120	The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire , for each Student Housing Property.
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.



Document	Requirements
Survey	A current survey of the Property meeting the requirements of Section 29.4. If the Mortgage is being originated for the purpose of new construction, an as-built survey is not required.
Utility Efficiency Certificate	Any industry-standard building performance rating or certification, when required for Utility Efficiency Certified buildings. Acceptable building performance ratings or certifications include: 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
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	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.



Document	Requirements
	For any Property with wood framing or structural members as described above, the Seller must provide the following documentation to Freddie Mac: • 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. 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. 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 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); See also Sections 62.5(a), Property grounds and buildings, 62.5(e) Wood-damaging insects and 8.2(e) Wood-damaging insect inspection reports.
Zoning documentation	The Seller must provide a zoning report by a third-party reporting company. See Section 8.5 for additional documentation and analysis requirements if: • 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



Document	Requirements
	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. The zoning report may also include documentation of building code violations. 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: • 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 See Section 8.5 for complete requirements.

55.3 Requirements for documents contained in the prescreen package (08/26/25)

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	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.



	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).
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 , available at mf.freddiemac.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 https://mf.freddiemac.com/lenders/uw/loan-submission-template . mf.freddiemac.com/lenders/uw/loan_submission_template.html .
Market study	The Seller must provide an independent, third-party market study including the following information: 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 that is not newly formed currently has a ownership and/or Control.
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.

Multifamily Seller/Service Guide

Chapter 60

Appraiser and Appraisal Requirements



Appraiser and Appraisal Requirements	
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60.1 General requirements; Additional Requirements (06/24/25)

60.1(a) [Appraisal requirements \(05/22/25\)](#)

60.1(b) [Purpose of Appraisal \(05/22/25\)](#)

For all multifamily purchase programs and products, the Seller/Servicer must submit a written Appraisal on the Property with the full underwriting package submission or in connection with certain Special Servicing requests. The Appraisal must comply with the requirements in this chapter and must take into account the additional resources, guidance and FAQs available at mf.freddiemac.com/lenders/uw/appraisals. For questions or feedback, contact the Multifamily Appraisal team at Multifamily_Appraisals@freddiemac.com.

a. Appraisal requirements (05/22/25)

The Appraisal must be:

- In a narrative format
- Ordered by the Seller/Servicer; and
- Completed by and signed by an appraiser approved by the Seller/Servicer

Appraisals ordered by and/or prepared for anyone other than the Seller/Servicer will not be accepted.

To support the evaluation of the Mortgage loan, the Appraisal must:

- Contain transparent and credible data analysis in a concise but comprehensive report format; and
- Be supported by the Seller/Servicer's selection of well-qualified appraisers and the Seller/Servicer's critical review of the Appraisals

Note, effective for Mortgage loans taken under Seller Application on or after February 20, 2023, Seller/Servicers must also comply with the policies set forth in the [Additional Appraisal Requirements Memorandum](#). To the extent there is any conflict between the foregoing Memorandum and the requirements of this chapter, the provisions of the foregoing Memorandum govern.

b. Purpose of Appraisal (05/22/25)

Appraisals must:

- Estimate the as-is market value of the Property as of the effective date (see Section 60.9);
- Identify the interests and estate being valued (as defined in the current edition of The Appraisal of Real Estate, published by the Appraisal Institute); and
- Be subject to stated assumptions and limiting conditions as of the effective date.



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

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

60.2 Appraiser Independence Requirements (06/24/25)

60.2(a) General requirements (04/18/24)	60.2(c) Reporting Appraisal misconduct (06/13/24)
60.2(b) Independent Party engagement (05/22/25)	60.2(d) Compliance; Policies (06/13/24)

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.

Additional information can be found in the [Appraiser Independence Requirements FAQs](#).

For purposes of these Appraiser Independence Requirements, the term “Independent Party” refers to the appraisal company, any entity or person related to the appraiser, appraisal company, or any other party that is part of the appraisal process.

For the purposes of these Appraiser Independence Requirements, the term “Conflicted Appraisal Parties” refers to:

1. All members of the Seller/Servicer’s Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
2. Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including but not limited to, mortgage brokers, loan production staff and real estate agents.

Seller/Servicer personnel involved in the underwriting, credit risk management or closing of the Mortgage who are not under the supervision of production or loan origination staff are not considered Conflicted Appraisal Parties.

For purposes of this chapter, any reference to Independent Parties or Conflicted Appraisal Parties will be deemed to include any Freddie Mac employee or contractor.



a. General requirements (04/18/24)

No person is allowed to influence or attempt to influence the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:

1. Withholding or threatening to withhold timely full or partial payment to an Independent Party;
2. Withholding or threatening to withhold future business from or demoting or terminating or threatening to demote or terminate an Independent Party;
3. Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;
4. Conditioning the ordering of an Appraisal or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;
5. Requesting from or providing to an Independent Party any of the following:
 - Comparable sales prior to engaging the Independent Party to perform an Appraisal;
 - An anticipated, estimated, encouraged, or desired value or value range for the Property, with the exception that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an Appraisal;
 - An anticipated, estimated, encouraged, or desired targeted loan ratio (*i.e.*, debt coverage ratio, loan to value, etc.), expense conclusions or income conclusions;
6. Providing stock or other financial or non-financial benefits to an Independent Party or any entity or person related to the Independent Party;
7. Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform Appraisals for specific loan production staff, loan officer or mortgage broker, except as otherwise provided in subsection b.5 below;
8. Directing an Independent Party to perform an Appraisal using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or
9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, impartiality or compliance with any law or regulation, including, but not limited to, the Truth-in-Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

**b. Independent Party engagement (05/22/25)**

Sections 60.2(b)1, 2, 3 and 5 below may be implemented immediately but are only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. The Seller/Servicer must separate its sales and Mortgage origination functions from its appraisal functions. An agent or employee of the Seller/Servicer involved in the Seller/Servicer's sales or Mortgage origination function must not be involved in the operations of the Seller/Servicer's appraisal functions.

If absolute lines of independence between the Seller/Servicer's appraisal functions and its Mortgage origination process cannot be achieved due to staffing limitations, the Seller/Servicer must clearly demonstrate within its written policies that it has prudent safeguards in place to isolate its appraisal functions from influence or interference by its Mortgage origination process.

2. Conflicted Appraisal Parties are prohibited from:

- Ordering, managing, or defining the scope of work for an Appraisal;
- Selecting, retaining, recommending, or influencing the selection of any appraiser and/or appraisal firm for a particular Appraisal or for inclusion on a list or panel of appraisers approved or forbidden to perform Appraisals for the Seller/Servicer; or
- Having any substantive communications with an appraiser relating to or having an impact on valuation

Notwithstanding the foregoing, any party, including any Conflicted Appraisal Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.

3. Any person involved in substantive Appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must:
 - Be appropriately trained and qualified, and
 - Complete all Freddie Mac required Appraisal training
4. Seller/Servicer leadership responsible for managing Appraisal ordering and review functions must complete all Freddie Mac required Appraisal training.
5. For training requirements that are applicable, see the [Additional Appraisal Requirements Memorandum](#) as referenced in Section 60.1(a).
6. The Seller/Servicer or any third-party specifically authorized by the Seller/Servicer (including, but not limited to, appraisal companies and correspondent lenders) will be responsible for selecting, retaining and providing for payment of all compensation to the appraiser. The Seller/Servicer must not accept any Appraisal completed by an appraiser selected, retained, or compensated in any manner by the Borrower or any other third party (including mortgage brokers, loan production staff and real estate



agents) unless specifically permitted by the Freddie Mac loan documents. For the sake of clarity, the foregoing does not prohibit the Borrower from reimbursing the Seller/Servicer for the cost of the Appraisal, or for paying for the cost of the Appraisal at closing if such payment is shown on the settlement statement.

7. The Seller/Servicer may maintain lists of approved Independent Parties only if:
 - The Seller/Servicer has in place a written policy that requires such lists for bona fide administrative or quality control purposes; and
 - Any employee or vendor of the Seller/Servicer involved in the selection of Independent Parties for such lists must be wholly independent of the Seller/Servicer's Mortgage origination staff and process and of the appraiser and the Independent Parties.

c. Reporting Appraisal misconduct (06/13/24)

Section 60.2(c)2 below may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. If the Seller/Servicer has a reasonable basis to believe an Independent Party is violating State licensing requirements, applicable laws or is otherwise engaging in unethical conduct, the Seller/Servicer must promptly refer the matter to Freddie Mac and the applicable State appraiser certifying and licensing agency or other regulatory body.
2. The Seller/Servicers engagement for Appraisals with Independent Parties must provide a notice that if the Independent Party has a reasonable basis to believe a Conflicted Appraisal Party or Seller/Servicer is violating Appraiser Independence Requirements, the Independent Party should promptly refer the matter to either the Freddie Mac [Investigation Unit](#) or the [Multifamily Appraisals](#) team.

d. Compliance; Policies (06/13/24)

This Section 60.2(d) may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

The Seller/Servicer must adopt written policies, procedures and disciplinary rules and implement adequate training programs to ensure compliance with these Appraiser Independence Requirements. Additionally, the Seller/Servicer must ensure that any third parties involved in the appraisal functions including, but not limited to, appraisal management companies or correspondent lenders, involved in the origination of a mortgage or the sale and delivery of a Mortgage to Freddie Mac are also in compliance with these Appraiser Independence Requirements.

60.3 Market value definition (09/28/18)

Appraisers must use the definition of market value set forth below, which conforms to the definition of market value adopted in the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraisal must be completed in accordance with the definition below, as defined within the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") of 1989:



“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

60.4 Appraisers (~~09/28/18~~08/25/26)

60.4(a) Appraiser qualifications (08/25/26)	60.4(c) Unacceptable appraisers (07/01/14)
60.4(b) Conditions for an appraisal trainee to co-sign (06/30/15)	60.4(d) Representations to third parties by appraisers and appraisal services (09/08/04)

Freddie Mac does not select or approve specific appraisers for Freddie Mac's Multifamily programs or products. The Seller/Servicer selects and approves appraisers and is responsible for maintaining an active file on each appraiser's qualifications. The file must be updated annually and is subject to inspection by Freddie Mac.

The appraiser may not be involved or affiliated with any individual or institution involved in the Mortgage submission other than the Seller/Servicer. Appraisers who are staff appraisers of the Seller/Servicer must be independent of the lending, investment and collection functions of the Seller/Servicer.

In those instances where the appraiser and/or the appraisal firm is affiliated with or related to the Seller/Servicer, Appraisals performed for Freddie Mac's Multifamily programs and products must include statements of disclosure from both the Seller/Servicer and from the appraiser that:

- Are signed and dated on the same date as the Appraisal,
- Describe the nature of the relationship between the appraiser and the Seller/Servicer (or other entity),
- State that there is no conflict of interest between these firms, and
- State that there are no fees, payments or compensation between the firms other than that disclosed in the engagement letter between the appraiser and the Seller/Servicer (or other



entity), or, if there is compensation in addition to the appraisal fee, provide a description of those fees, payments or compensation

The disclosure from the Seller/Servicer must be included with the Appraisal as an attachment in the Addenda or following the report's Letter of Transmittal. The disclosure from the appraiser must also be included

- As a statement in the Letter of Transmittal of the Appraisal, and
- In the appraiser's Certification, as required by the Uniform Standards of Professional Appraisal Practice (USPAP).

a. Appraiser qualifications (09/28/1808/25/26)

~~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~~ Each appraiser signing the Appraisal must meet the requirements outlined in 1-10 below.:

1. Be a certified general appraiser under the appraiser certification requirements of the State in which the Property is located (or a certified appraiser if that State does not confer the designation of certified general appraiser)
2. Appear on the State roster in good standing under the requirements of Title XI of FIRREA

For all programs and products, if the Appraisal Subcommittee of the Federal Financial Institutions Examination Council has disapproved the licensing and certification requirements of the State in which the Property is located, pursuant to Title XI of FIRREA, the Seller/Servicer must contact the *Applicable Freddie Mac Multifamily Regional Office* for instructions. The TAH Seller/Servicer must contact the *Multifamily TAH Underwriter*.

3. Be actively and regularly engaged in the appraisal of multifamily properties
4. Have at least three consecutive years of income property appraisal experience
5. Have completed at least two multifamily Appraisals in the past year in the geographic market area where the Property is located
6. Be knowledgeable concerning current real estate market conditions and financing trends in the geographic market area where the Property is located
7. Be experienced in appraising multifamily properties with complexity and characteristics similar to those of the Property (such as the number of units and type of property—garden, mid-rise, high-rise, etc.)
8. Have a working knowledge of construction costs, materials, methods and standards in the geographic market area where the Property is located
9. Have a strong educational background in appraising income properties



Appraisers must have completed successfully several courses relating to income properties. These courses must have been completed through a nationally recognized appraisal organization or accredited college or university.

10. Have insurance meeting the requirements of Section 11.5.

b. Conditions for an appraisal trainee to co-sign (06/30/15)

An appraisal trainee may co-sign an Appraisal if the appraisal trainee is currently registered as an appraisal trainee in the State in which the Property is located and the Appraisal clearly and prominently:

- States that the appraisal trainee is an appraisal trainee or equivalent job title,
- Identifies the appraisal trainee's trainee license or certification identification number in the Appraisal, preferably in the Letter of Transmittal and in the Certification, and
- States, in the Letter of Transmittal, the appraisal trainee's specific role in the appraisal project and describes in which parts of the appraisal process the trainee had a contribution and the extent of that contribution. The statement must specifically address whether or not the trainee inspected the Property.

All appraisers that sign the Certification in the Appraisal must take professional responsibility for the appraisal trainee's content, conclusions, and discussions within the Appraisal.

c. Unacceptable appraisers (07/01/14)

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Servicer, for cause, discontinues the use of any appraiser who has completed Appraisals within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. A TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept Appraisals completed by any specific appraiser. Freddie Mac will maintain the [Multifamily Restricted Vendor List](#). If an appraiser appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that appraiser for Multifamily Mortgages offered to Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable appraisers do not prepare Appraisals for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

d. Representations to third parties by appraisers and appraisal services (09/08/04)

Appraisers and appraisal services may not represent themselves to third parties as being Freddie Mac-approved appraisers or appraisal services.



60.5 Appraiser scope of work, certification and signatures (02/27/25)

60.5(a) Certification (06/16/22)	60.5(b) Scope of work and signing the Appraisal (02/27/25)

a. Certification (06/16/22)

The appraiser must attach all of the following to the Appraisal:

- All assumptions and limiting conditions
- A certification that states that the report complies with the requirements of the USPAP, promulgated by the Appraisal Standards Board of the Appraisal Foundation, that are in effect at the time of certification, including USPAP's requirements that the Appraisal was conducted in compliance with all relevant laws, including the Fair Housing Act and Equal Credit Opportunity Act
- A certification that states that the Appraisal complies with the current version of the FIRREA of 1989, including its Title XI regulations

b. Scope of work and signing the Appraisal (02/27/25)

There are requirements in this Section 60.5(b), announced in the February 27, 2025 Bulletin, that are effective for Mortgage loans under Seller Application on or after June 2, 2025 and for conversion packages delivered on or after June 2, 2025 that require an updated Appraisal.

For all Properties, (i) all persons signing the Appraisal and/or the Appraisal's Certification must have reviewed and approved the Appraisal, and (ii) at least one of the persons signing the Appraisal must meet all of the following requirements:

- Comply with the requirements in this chapter including, with the exception of appraisal trainees, being a Certified General Appraiser in the State in which the Property is located (or that State's equivalent licensing classification that also meets Freddie Mac's minimum appraiser experience requirements)
- Inspect the Property in accordance with the requirements set forth in Section 60.12(b) (other than the appraisal trainee co-signer requirement)
- Complete the final selection and adjustments of land, rent, expense and sales comparables
- Complete the final development of the appraiser's proforma and capitalization rate selection in the Income Approach
- Complete the final reconciliation and value conclusion
- Accept full responsibility for the contents, analyses and conclusions of the Appraisal



Each person signing the appraisal report and/or the Appraisal's Certification will be deemed to have accepted full responsibility for the contents, analyses and conclusions of the Appraisal.

Refer to Section 60.4(b) for requirements regarding the co-signing of an Appraisal by an appraisal trainee.

60.6 Information provided to appraiser by the Seller/Servicer (~~12/16~~08/25/26)

To reduce the need for administrative revisions to the Appraisal following submission of the Appraisal to Freddie Mac for non-valuation related property identification or classification issues, the Seller/Servicer must provide the appraiser with accurate Property identification prior to submission of the Appraisal to Freddie Mac, including:

- Specific requirements for the Mortgage loan program for which the appraisal will be used (i.e., ~~Small Balance Loans~~, Seniors Housing, Students Housing, Utility Efficiency, Mod Rehab, Conventional, etc.)

~~For appraisals in the Small Balance Loans (SBL) program, the Seller/Servicer must ensure that the appraiser complies with the page limit described in Section 60.11.~~

- Current property ownership
- Property address
- Property zip code
- Complete legal description (see Section 29.1)
- Accounting of the Property's unit inventory, including management's use of units for offices, model units, down/off-line units and commercial space

The Seller/Servicer must provide the appraiser with the following additional information on the Property:

1. Survey, if available (see Section 29.4)
2. Rent roll dated within 30 days before the Appraisal's effective date of the as-is value, certified by the Borrower as accurate and correct, and containing, at a minimum:
 - Unit number
 - Unit type, name, or description and/or unit design (i.e., 2BR/1BA, 1BR/1BA/Den, commercial)
 - Unit size in square feet
 - Lease commencement date



- Contract rent
 - Concessions, if any
 - Additional fees or charges (i.e., pet fees and garage fees)
3. Income and Expense Statements for the previous three calendar or fiscal years, as applicable, certified by the Borrower as complete and accurate
 4. Year-to-date Income and Expense Statement, certified by the Borrower as complete and accurate
 5. Copies of executed commercial leases, amendments and attachments, if applicable
 6. Property condition report as soon as available but prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the property condition report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

7. Environmental report as soon as available but prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the environmental report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

8. Copy of ground leases, if applicable
9. Copy of current sales contracts, if applicable
10. Final architectural plans and specifications, if the Property is to be built
11. Copies of shared access agreements or easements
12. Regulatory agreements that affect the Property's rents or expenses
13. Rental Assistance Contracts (as defined in Section 23.3)

~~14. For SBL Properties, evidence of capital expenditures or construction costs as described in Section 55SBL.2~~

~~14.~~ 15.14. Any other information that the Seller/Service knows may affect the value of the Property



60.7 Seller/Servicer supervision of appraisers (02/27/25)

The Seller/Servicer must evaluate and select appraisers based on qualifications and quality of the appraisal product. The Seller/Servicer must collect information and documentation from appraisers and applicable regulatory authorities to ensure that each appraiser completing Appraisals for multifamily Mortgages offered to Freddie Mac complies with the requirements set forth in this chapter.

Each file must contain sufficient information to document and demonstrate that the appraiser meets the qualification requirements in Section 60.4(a), including:

1. The appraiser's resume
2. Letters of reference from current and/or past clients
3. Documentation showing that the appraiser possesses the certified general classification or certified classification in good standing in accordance with applicable State law
4. Copies of Appraisal sample(s) if appropriate under the ethics provision of USPAP
5. An original certificate(s) of liability insurance meeting the requirements of Section 11.5

Each file must document that the appraiser complies with the requirements of this chapter and that the Seller/Servicer verified the experience information provided by the appraiser to the Seller/Servicer.

Effective as of June 2, 2025, the Seller/Servicer must ensure that any appraisal firm engaged by the Seller/Servicer for a Freddie Mac Mortgage agrees to adopt and maintain security measures sufficient to protect and safeguard its Electronic Signature from loss, theft and unauthorized or improper disclosure or use.

The Seller/Servicer must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Servicer identifies a problem area, the Seller/Servicer must take appropriate action to correct the problem. The Seller/Servicer must keep written records of any activity under this internal control system and provide them to Freddie Mac upon request.

60.8 Non-Discrimination (12/16/25)

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. In circumstances where a property owner provides housing in relation to any of the above Prohibited Factors (e.g., senior housing, participation in the Housing Choice Voucher Program), it may be permissible to reference information specific to that Prohibited Factor, provided such reference does not give rise to bias or discrimination.

60.9 Effective date of Appraisal (08/26/25)

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

The as-is market value effective date of the most current Appraisal must:

- Match the date of the appraiser's property inspection; and
- 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 make available upon request all Appraisals completed on the Property in the past three years, including drafts, if available to the Seller/Servicer and appropriate under the ethics provision of USPAP. See also Section 60.10.

60.10 Revised and updated Appraisals (08/26/25)

1. For Mortgage loans taken under **Seller Application on or after June 2, 2025** or for conversion packages delivered on or after June 2, 2025 that require an updated Appraisal, an Appraisal Revision Summary (see [Freddie Mac template](#) as an example) detailing the changes between the initial Appraisal delivered to the Seller/Servicer and the Appraisal delivered in the full underwriting package to Freddie Mac must be provided if there is any of the following:
 - More than a two percent increase in value between the two versions of the Appraisal;



- Change to the income approach (e.g., changes to income, rent comparables, vacancy, expense(s), expense comparables, and/or capitalization rates)
- Change to the sales comparison approach (i.e., adding or removing sales comparables and/or changes to the adjustment grid)

If the Appraisal is revised during the underwriting process to trigger any of the above conditions, the Appraisal Revision Summary must be updated to detail the change(s) between the Appraisal delivered in the full underwriting package and the final Appraisal accepted by Freddie Mac.

2. If Freddie Mac receives an Appraisal with an as-is market value 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 (~~06/2408/25/26~~)

Freddie Mac expects that the Appraisal will be in a narrative format written to comply with the Appraisal development and report content requirements of the USPAP.

~~Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program must be 50 pages or less. Addenda to these Appraisals are not included in the 50-page count.~~

~~Effective with underwriting packages delivered to Freddie Mac on or after August 1, 2019, appraisals submitted to Freddie Mac for Mortgage loan origination in the Targeted Affordable Housing Express (TAHX) program and with an appraisal effective date of value on or after August 1, 2019 must be 75 pages or less. Addenda to these appraisal reports are not included in the 75-page count.~~



~~The page count for SBL and TAHX Appraisals begins with the Title Page of the report and ends with the page prior to the Addenda of the appraisal report.~~

~~Addenda material can include:~~

- ~~• Insurable replacement cost~~
- ~~• 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 (08/~~25~~/26/~~25~~)

60.12(a) Completeness (08/25/26)	60.12(d) Sales and other concessions (09/28/18)
60.12(b) Inspection (08/25/26)	60.12(e) Property condition report (10/14/16)
60.12(c) Tax information (06/24/25)	60.12(f) Zoning and other legal issues (08/25/26)

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 chapter, as applicable to loan or property type, to ensure the completeness of each Appraisal.

a. Completeness (06/16/2208/25/26)

The Appraisal must adequately describe the geographic area, neighborhood, rental competition, sales comparables, site and improvements. Generally, regardless of report format, the Appraisal must demonstrate a market value supported by the reconciliation of the three recognized approaches to value: Income Approach, Sales Comparison Approach, and Cost Approach.

~~For appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, if the Property is more than five years old, the appraiser must include both the Income Approach and Sales Comparison Approach. However, Freddie Mac will not require a Cost Approach or a separate analysis of land value.~~

~~For all other Properties, the~~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 (08/25/26/25)

The inspection requirements for Appraisals are as follows:

1. At least one certified general appraiser signing the report must have made both an interior and exterior inspection of the Property, concurrent with the as-is market value effective date of the most current Appraisal.
2. Interior inspection must include common areas, community amenities, a sample of unit interiors and commercial suites. The specific units and their unit type (bed/bath count, floor plan name or commercial suite/name) must be identified.
3. Exterior inspection must include residential unit exteriors and any accessible areas that are subject to nonresidential leases as defined in ~~Sections 8.11(a) and 8SBL~~ Section 8.11(a).
4. Any description of completed or ongoing capital improvements or construction at the Property referenced in the appraisal must be visually inspected (if possible) and validated against any evidence provided by the Seller/Service. If the appraiser observes any recent or ongoing capital improvements or construction during their inspection, it should be noted and analyzed in the appraisal.
5. Be sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the discussions, analyses, and valuation conclusion. This is important since the Seller/Service's delivery of the property condition and environmental reports to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13).
6. Report the extent of the appraiser's due diligence and describe any property condition or environmental concerns that affect the Property's value or marketability observed during the appraiser's inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.

It is not acceptable to only state that the appraiser is not qualified to detect or did not notice any property condition and/or environmental concerns and thus has made no observations during their inspection of the Property.

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

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



- (1) The minimum number of residential units that must be inspected. For Properties with more than 50 residential units, at least one unit of each unit type must be inspected and the marketability of each unit type's floor plan, amenities, and level of finish must be discussed.
- (2) All down units must be inspected, regardless of the number, to determine and comment on the amount of repairs/renovations necessary to make the units ready for occupancy.
- (3) All vacant units must be inspected unless the total number of residential units required for inspection exceeds the specified amount, in which case, the appraiser may sample the vacant units but must state how the sample was selected. The state of readiness for occupancy must be reported for each vacant unit inspected.

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

c. Tax information (06/24/25)

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. Additional guidance can be found at [Property Taxes in an Appraisal](#).

d. Sales and other concessions (09/28/18)

- 1) The Seller/Service must provide to the appraiser and the appraiser must consider, analyze and report any:
 - Current or expired sales contracts, option contracts, contracts for deed, master lease and/or listings of the Property known to the appraiser, and the contract or listing price
 - Sales of the Property within the past three years

The appraiser must analyze and discuss any material difference between the final appraised value and any recent sale, contract, option and/or master lease of the Property.



- 2) The appraiser must identify the current owner of the Property as described in the local land records
- 3) If the Property is subject to a current sales contract, the appraiser must identify the potential purchaser
- 4) If available to the appraiser, the appraiser must report:
 - a. How long the Property was on the market
 - b. Number of offers
 - c. The owner rationale for selecting the buyer's offer

e. Property condition report (10/14/16)

The appraiser must consider how the results of the property condition report or the appraiser's observations during property inspection affect the value of the Property.

If there are issues identified by the consultant that could materially affect the value of the Property, prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac, the Seller/Service must provide the appraiser with the property condition report ordered by the Seller/Service as part of the Mortgage loan transaction process. For expediency, the report can be delivered to the appraiser in draft form, as long as the appraiser notes in the Appraisal report that it was provided with a draft property condition report. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address a Property condition issue, the appraiser must still consider that issue's effect on market value since the availability of cash to the Property owner for repairs or renovations should not affect the Property's market value.

If provided with a third-party property condition report, the appraiser must:

- Identify the engineering/consulting firm that prepared the property condition report, the effective date of the report, and whether it was a final version or a draft
- Report the conclusions and recommendations of the property condition report
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factor(s) and incorporate them into the value of the Property
- Use the property condition report as the starting point for its estimate of Replacement Reserve deposits unless the appraiser otherwise documents and discusses an alternative reserve figure in the Appraisal



If not provided with a third-party property condition report, the appraiser must do all of the following:

- Apply the observations regarding Property condition or obsolescence from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factors and incorporate them into the value of the Property
- Base its estimate of Replacement Reserves on specific market evidence or other substantive basis

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the effect or non-effect on value of an identified physical condition issue. If there is an issue identified in the property condition report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser needs to discuss why the appraiser has drawn that conclusion.

f. Zoning and other legal issues (~~0608/25/2026~~)

1. For all Mortgages, the appraiser must consider, support, and discuss how zoning and other legal issues (including shared access agreements, easements, and compliance with local rent control statutes) affect the value of the Property.

The appraiser must, reference the authoritative zoning source in the Appraisal, comparing the Property to competing properties, and addressing at a minimum:

- Parking ratio compliance
 - Density compliance
 - Rebuildability restrictions in the event of substantial damage or casualty loss to the Property
2. If a Mortgage meets either of the following conditions, a third-party zoning consulting report might not be part of the underwriting package, so it is important that the Freddie Mac underwriter and the appraiser have pertinent information regarding the Property's compliance with local zoning regulations and other legal considerations on the Property and the effect these regulations or issues have on the Property's market value:
 - The Mortgage:
 - Is a ~~non-SBL~~ Mortgage with an initial principal balance of \$20 million or less, or is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate, and
 - Is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage.



Furthermore, if the Mortgage meets any of the above conditions, the appraiser must include an opinion as to the legality of the zoning of the Property. The Property is either:

- Legal
- Legally non-conforming
- Illegal
- Other, with explanation

The preferred method is for the appraiser to provide a quote or reference from an appropriate local zoning office official or employee as to the concluded zoning status (i.e., “Ms. Johnson, XYZ County Zoning employee stated in an email on XYZ date that the subject property is legally non-conforming...”). Without such a quote or reference, the appraiser must provide its professional opinion as to the legality of the zoning of the Property, (i.e., “Based on the subject’s actual use, its developed density, parking ratio, (and whatever else that might be appropriate), it appears that the subject property is legally non-conforming.”)

The appraiser cannot merely state that they are not experts in this field or that the client should consult a legal expert. Freddie Mac is requiring that the appraiser use its professional expertise to either consult the appropriate local governmental authority or to render a professional opinion on the legality of the zoning of the Property although it is acceptable for the appraiser to provide a disclaimer around its professional opinion.

The following chart, or a similarly constructed chart containing this information, must be completed for and included in each Appraisal for which a zoning report is not submitted:

General Zoning Information			
Property Name			
Property Jurisdiction			
Existing Zoning Classification			
Date of Existing Zoning Ordinance			
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)			
Category	Actual	Required	Conforming Status
Current use			
Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
Additional Zoning Compliance Information (if a survey or other materials are available):			
Minimum Lot Width/Frontage			



Maximum Height			
Setbacks:			
Front/Street			
Side			
Rear			
Landscape buffers			
Appraiser's Conclusion on Conformity:			
Other information pertinent to the Property's zoning classification:			
Reconstruction clause, including rebuildability threshold:			

If the Property is legally non-conforming or illegal, the appraiser must discuss whether the subject can be rebuilt to its current configuration and, if not, analyze the effect on market value in the Sales Comparison Approach, the Cost Approach, and in the Income Approach. If the Property is not subject to a rebuildability requirement, the appraiser must state so.

60.13 Environmental reports (12/14/23)

The appraiser must consider how the results of the environmental report or the appraiser's observations during the property inspection affect the value of the Property.

If there are issues identified by the environmental consultant that could materially affect the value of the Property, then prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac, the Seller/Service must provide the appraiser with the environmental report ordered by the Seller/Service as part of the Mortgage loan transaction process and any other environmental reports on the Property retained by the Seller/Service. For expediency, the environmental report can be delivered to the appraiser in draft form, as long as the appraiser notes in the appraisal report that the appraiser was provided with a draft. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address an environmental issue, the appraiser must still consider that issue's effect on market value. The availability of cash to the Property owner to correct an environmental issue should not affect the Property's market value.

If provided with a third-party environmental report, the appraiser must:

- Identify the environmental consulting firm that prepared the report and the effective date of the report, and whether it was a final version or draft
- Report the conclusions and recommendations of the environmental report
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property
- Report any known or observed environmental conditions that affect the Property’s value or marketability observed during the appraiser’s site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
- Analyze and discuss how the identified environmental conditions affect the value and marketability of the Property based on market data relating to increased risk and uncertainty, environmental stigma, reduced occupancy and rent levels, limitations on property use, cost of remediation, and any other relevant characteristics or environmental risk factors.

If not provided with a third-party environmental report, the appraiser must do all of the following:

- Apply the observations regarding environmental issues from the appraiser’s property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the impact or non-impact on value of an identified environmental issue. If there is an issue identified in the environmental report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser must discuss why it has drawn that conclusion.

60.14 Valuation methodology (06/24/25)

60.14(a) Cost approach (07/01/14)	60.14(c) Income approach (06/24/25)
60.14(b) Sales comparison approach (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.



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](#) 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 (06/24/25)**

For additional requirements and guidance that are applicable, see the [Additional Appraisal Requirements Memorandum](#), as referenced in Section 60.1(a), [Capitalization Rate Guidance](#), and [Development of Capitalization Rates: Proforma vs. T-12](#).

The appraiser must derive the value based on the following:

1. Forecasted gross income must consider historical and current rents of the Property, and rents currently obtained from comparable units (similar in amenities, location, size, type, style and quality) adjusted for market concessions, rent abatements, discounts and the like. The influence and limitations of rent control, rental concessions, historical trends and other relevant factors must be reviewed and analyzed relative to the forecasted gross income of the Property.

The appraiser must analyze and discuss the difference, if any, between the Property's actual recent contract rents and the appraiser's estimate of the Property's market rents, and their impact on the value of the Property. If the appraiser's estimate of market rent is dissimilar to the recent leasing at the Property, an adequate discussion and explanation of the variance must be provided.



2. Estimated vacancy and collection loss must consider historical and current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.
3. Forecasted expenses and Replacement Reserves must be comparable with the historical data of the Property and 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 forecasts must consider future changes in expense or reserve levels.

The identification of the expense comparables must include the following:

- Number of units
 - Age (year built and/or renovated)
 - Physical condition
 - Location and the time period of the expenses
4. Capitalization Rate must be based on factors reflecting the investment characteristics of knowledgeable investors for properties similar to the Property.

The Capitalization Rate must be developed using each of the following (3) techniques. Exclusion of any of these techniques must be explained.

- **Extraction from comparable sales with analysis of the comparables' variations**, if any, from the Property's economic and physical characteristics. Capitalization Rates extracted by pro forma income or with actual income must be reported and reconciled consistently with the appraiser's estimate of the Property's income.
- **Personal surveys and interviews with local market participants** for insight into the Property's submarket and investment considerations, dated within two months before the effective date of value, including the date of survey (month/year is sufficient) and, if not confidential, the name, title and company of the individual surveyed. If these items are confidential, the appraiser must provide a description of the position or background of the individual.
- **Published sources** (preferably more than one published data source, and preferably a source that focuses on the Property's local market, not general national data).

If the following techniques are utilized by local market participants and appraiser peers, they should also be included to develop and support the Capitalization Rate.

- **Band of Investment model** (also known as mortgage equity technique) with specific reference to the sources of the financial data assumptions.
- **Debt coverage ratio model** with specific reference to the sources of the financial data assumptions.

Development of Capitalization Rates from Ackerson or Ellwood methodologies is not appropriate.



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.

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. Discounted cash flow analysis (DCF) is typically redundant and not required 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 including rent and expense changes, discount rate, reversionary/terminal capitalization rate, and absorption period.
7. The Property's value can be developed with either a multiplier analysis or direct capitalization analysis; it is not a requirement to include both methodologies.

60.15 Area information (~~06/16/22~~08/25/26)

The appraiser must report and accurately explain appropriate and lawful positive or negative factors about the Property's neighborhood, including all relevant adverse influences that affect the Property's market value.

The appraiser must:

- Consider, analyze and report current and prospective regional economic trends, such as population, employment concentration and diversification, changes in supply and demand, and housing development
- Explain how regional economic trends affect appraised value



In describing the Property's market, the appraiser should emphasize the Property's neighborhood and submarket influences. ~~Regional, State, and metropolitan market descriptions are not necessary for Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program and should be eliminated from these Appraisal reports unless there is a specific market influence on the Property that transcends the immediate neighborhood. In these instances, the appraiser should describe those larger influences with specificity, and inclusion of "boilerplate" market, metropolitan, or regional descriptions in the report is discouraged.~~

60.16 Rental competition (09/28/18)

The appraiser must identify the primary data source for each rental comparable, such as the name and telephone number of the contact person.

The appraiser must use at least four rental comparables. The appraiser must include current rental competition that affects the Property's economic performance, for each rental comparable. The appraiser must identify and describe projects under construction, planned or proposed, that will likely affect the Property's economic performance.

60.17 Income and vacancy (09/08/04)

60.17(a) Market feasibility analysis (09/08/04)	60.17(d) Seasonal and cyclical influences (09/08/04)
60.17(b) Vacancy (09/08/04)	60.17(e) Income (09/08/04)
60.17(c) Rental factors (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 (09/30/2008/25/26)

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~~08/25/26)

For Appraisals of Properties containing commercial space and other nonresidential leases as defined in Section 8.11(a) ~~or Section 8SBL11(a)~~, the appraiser must include a rental analysis containing at least three comparable rentals for each type of tenant.

For each comparable commercial and other nonresidential lease, the appraiser must provide:

1. Name of the tenant
2. Type of business
3. Address or unit number(s)
4. Leased square feet
5. Annual prospective contractual rent for each of the next three years
6. Concessions (if any)
7. Lease commencement date
8. Length of lease
9. Renewal option, if any
10. Any other material lease terms

Property lease abstracts must contain, at a minimum, the following basic data, as applicable:

1. Term
2. Lease commencement date
3. Lease expiration date



4. Exact name of tenant
5. Type of business
6. Base square footage
7. Core or conversion factors
8. Calculation of gross rent
9. Calculation of percentage rent
10. Calculation of expenses
11. Expense stop
12. Reimbursement of expenses
13. Option to purchase clause

~~For Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, the depth and detail of information required in this section may not be available to the appraiser. In these instances, the appraiser must use its best efforts to comply with the intent and scope of this section. If the appraiser varies from the requirements of this section, there must be an explanation of the variance in the Appraisal Report.~~

For all Properties that contain commercial space, the appraiser must segregate rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to commercial rental space from rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to residential rental space. If the appraiser is unable to segregate commercial space and residential rental space, the appraiser must explain why the space cannot be segregated. Separate values for the commercial space and residential space are not required but must be provided if the commercial space can be marketed and sold separately from the residential space.

The appraiser must provide data that support the appraiser's estimate of the property's commercial vacancy rate, a discussion of tenant rollover risk, and cost of tenant improvements to re-lease the space.

60.20 Attachments to the Appraisal (06/24/25)

The appraiser must attach the following, if applicable, to the Appraisal:

1. A copy of any current sales contracts, option contracts, contracts for deed or listings of the Property
2. A legible, certified current rent roll provided to the appraiser by the Seller/Service, legible Income and Expense Statements for the past three calendar or fiscal years (as applicable), if available, and legible year-to-date Income and Expense Statements for the Property, all dated within 30 days before the Appraisal's effective date of the as-is value



3. Color photographs of the Property's exterior, interior common areas, typical unit interiors, surrounding area, rental comparables, sales comparables and commercial rental comparables. The date and source of each photograph (i.e., the appraiser's original photograph, photocopied from the internet, and photo scanned from a marketing brochure) must be clearly identified in the Appraisal
 - Unless otherwise identified within the Appraisal, the photographs of the sales comparables must be reflective of the property at the time of sale.
 - Unless otherwise identified within the Appraisal, the photographs of the Property must be reflective of the Property as of the effective date of the appraisal value.
4. Maps showing the location of the Property relative to the location of the land comparables, current rental comparables, future rental comparables and sales comparables
5. If the Property contains commercial space, legible copies of all executed commercial leases, riders and amendments
6. A complete legal description of the Property (see Section 29.1)
7. A survey or recorded plat of the Property, if available (see Section 29.4)
8. If the Property is subject to ground leases, a copy of all ground leases
9. Any other information that ensures the completeness of the Appraisal
10. The appraiser's qualifications and the supervising or review appraiser's qualifications
11. A copy of the complete, signed engagement letter and a copy of any other communications about the scope of the Appraisal between the appraiser and the Seller/Service

Freddie Mac will also accept a market study incorporated into the Appraisal.

60.21 Insurable Value (07/01/14)

Insurable value must be provided in all Appraisals.

The Replacement Cost is the cost to reconstruct a Property of an equal number of units with equal quality of building materials with equal utility that would be acceptable to the typical investor and tenant in the market in which the Property is located. Replacement Cost is not the cost to construct a replica of the Property.

For insurance purposes, the Replacement Cost may not include goodwill or other intangibles such as value/cost of the land, a deduction for depreciation, cost of site improvements, (e.g., driveways, parking lots, sidewalks, or landscaping), or cost to reconstruct the foundation(s).



60.22 Student Housing Appraisal requirements (06/16/22)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Student Housing Properties. The Appraisal must be prepared by an appraiser who has experience in valuing Student Housing Properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must consider the following:

- Trends in student population or enrollment,
- Changes in the supply of on- or off-campus housing, whether sponsored by the school or planned and built by private developers (such as dormitories, for-profit or not-for-profit apartments, and fraternity or sorority housing),
- Distance from the Student Housing Property to the school, and available transportation,
- Any school policies affecting student residency (for example, requirements for freshmen and sophomores to live on campus), and
- Changes to school-sponsored amenities, whether on- or off-campus.

Freddie Mac requires the use of comparable properties that were purchased, developed or leased for student housing. If comparable student housing properties are not available in the local market, the appraiser may use comparable regional student housing properties. The appraiser must evaluate the comparable property and the school it serves with the Student Housing Property based on the factors described above: student population trends, supply of student housing, distance and transportation between school and housing, amenities, school policies affecting student residency and so forth. These requirements apply to building sales, land sales and rental comparables.

If comparable local or regional student housing properties are not available, non-student housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-student housing to the Student Housing Property.

60.23 Collateral evaluation for tax abatement (07/01/14)

For all Appraisals of a Property with a tax abatement, the preferred Freddie Mac valuation methodology is as follows:

- First, full, stabilized real estate taxes are used to calculate the NOI that is used to determine the property value with full taxes.
- Next, the present value of the tax savings over the term of the tax abatement is determined using a discount rate supported fully by the appraiser.
- The present value of the tax savings is then added to the property value with full taxes to determine the value of the Property with the tax abatement.



Note: If local practice is different from the Freddie Mac preferred methodology, the appraiser may use the local methodology, provided that any differences in technique are fully discussed in the Appraisal.

The appraiser must demonstrate in the Appraisal that the tax abatement is likely to continue for its stated term. This can be accomplished by a variety of methods including a review and discussion within the Appraisal of the tax abatement agreement and/or documented conversation and confirmation of the tax abatement by the Appraiser with the local property tax authority or tax abatement-granting agency.

60.24 Affordable Housing and Targeted Affordable Housing Appraisal requirements (08/26/25)

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 a Rental Assistance Contract (as defined in Section 23.3), the appraiser must include the following values:
 - The value using the Rental Assistance Contract rents, and
 - The value using the lower of market rents, Rental Assistance 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 Appraisal requirements (12/14/23)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Seniors Housing Properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing seniors housing properties (i.e., independent living properties and assisted living properties) as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.



2. The appraiser must consider the following:
 - Demand:
 - Trends in the target service area of the subject property indicative of the depth of residency eligibility such as senior population growth or retraction, changes/trends in income and/or net worth of individuals eligible for residency in the subject property, and other factors of seniors housing demand
 - Trends in occupancy of competing/similar seniors housing properties and market rent properties in the subject's market area
 - Other statistical or researched demand factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
 - Supply:
 - Proposed, ongoing, and recent changes in the supply of seniors housing properties within the property's market area
 - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market area
 - Other statistical or researched supply factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as seniors housing. If comparable seniors housing properties are not available in the local market, the appraiser may use comparable regional seniors housing properties. These requirements apply to building sales, land sales, rental comparables, and capitalization rate comparables.
4. If a sufficient number of comparable local or regional seniors housing properties are not available for analysis, non-seniors housing properties may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-senior housing to the Senior Housing Property including, but not limited to, marketing time and information obtained from the most recent U.S. Census, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. In addition to the hypothetical value if leased at non-restricted rents, the appraiser must opine and support its opinion if the Highest and Best Use of the property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an as-is estimate of market value considering the time period necessary to phase in non-restricted rents.



In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

The Appraisal will clearly and prominently report the total market value of the Property as well as an allocation for contributory business value, personal property and/or other non-real estate items. The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

60.26 Manufactured Housing Communities value (07/01/14)

In addition to the requirements in this chapter, specific appraiser and Appraisal requirements for Manufactured Housing Communities can be found in Section 22.5.

60.27 Appraisals for lease-up programs (09/25/15)

Freddie Mac has two types of lease-up offerings: Acquisition Lease-Up and Refinance Lease-Up.

For Properties to be specifically underwritten in either of these two programs, the Appraisal must provide the as-is value of the Property as of the effective date of the Appraisal report (i.e., the current date) and the prospective as-stabilized value as of the prospective future date of stabilized operations for the Property. The Freddie Mac Underwriting Value is based on the prospective as-stabilized value.

The Seller must provide guidance to the appraiser should these values be required.

60.28 Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages and Preservation Rehabilitation Mortgages (02/28/20)

1. For a Mod Rehab Mortgage, the appraiser must provide the following two values of the Property based on all applicable approaches to value:
 - As-is market value
 - Hypothetical as-if renovated and stabilized today market value
2. For a Preservation Rehabilitation Mortgage, the appraiser must provide the following five values of the Property based on all applicable approaches to value:
 - As-Is market value with current restricted rents (i.e., rents in-place on the date of value).
 - As-Is market value with the proposed restricted rents that will be in-place subsequent to or concurrent with origination of the Mortgage but prior to construction completion. This is a hypothetical value and does not assume that the renovations are completed on the date of value; just that the proposed restricted rents are in place.



- As-is market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
- Hypothetical as-if renovated and stabilized at current market value with restricted rents that will be in-place when the Property is renovated and stabilized. This is a hypothetical value.
- Hypothetical as-if renovated and stabilized at current market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

The as-is market value is the market value of the Property as of the day of the appraiser's inspection, assuming no renovation work has been done. Standard appraisal approaches and industry best practices in accordance with this chapter apply. This value provides a baseline to determine how much additional value the renovation project might generate.

The hypothetical as-if renovated and stabilized current market value assumes that all planned renovations are complete and the Property has achieved stabilized operations as of the date of the appraiser's inspection. This valuation scenario should not simply add the renovation budget total to the as-is market value, as this calculation might not be indicative of actual contributory value of the planned renovation.

The as-is market value and hypothetical as-if renovated and stabilized current market value are imperative to the credit and underwriting analysis of the Freddie Mac transaction. The Seller/Servicer must provide the appraiser with the pre-construction analysis report, as described in Chapter 63, and the appraiser must provide its opinion on all of the following:

- The specific elements of the renovation that would or might affect market value
- The time needed to complete the planned renovations
- The time needed to achieve stabilized operations after completion of the planned renovations

The appraiser must analyze the effects of the renovation on each of the approaches to value used in the appraisal report. For example, by installing new stainless steel energy saving appliances, the rent might increase, utility expense might decrease, Replacement Reserves might increase and/or the capitalization rate might change due to investor's perception of the quality of the renovations, causing an impact to the appraiser's income approach and change in market value.

The appraiser must provide rents, property taxes, operating expenses, and capitalization rates data from properties that have recently experienced renovations similar to the subject or are comparable to the proposed renovated Property. If these benchmarks are not available in the local market, the appraiser must explain the extent of research to obtain this type of data and provide an adequate discussion about how these items might impact the value from the as-is market value scenario.

The appraiser must provide separate sales and rent comparables for the as-is market value and the hypothetical as-if renovated and stabilized current market value, as the renovation might promote the Property into a higher class of property.



60.29 Appraisals for Mortgages with a Utility Efficiency Loan option (12/16/25)

If the Seller/Service 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 Utility Efficiency 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 Utility Efficiency Improvements might generate.
- The Prospective As-Improved Market Value must assume that all Utility Efficiency Improvements are completed as of the current date of value.

To develop the Prospective As-Improved value, the appraiser must review the list of Utility Efficiency Improvements that the Borrower has committed to execute at the Property, and consider the contribution of these Utility Efficiency Improvements to the Property's prospective market value. The appraiser should not merely add the projected cost of the Utility Efficiency 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 Utility Efficiency Improvements and the time it will take to implement the Utility Efficiency 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 Utility Efficiency 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 Utility Efficiency 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 (06/23/26)

1. For a Forward Commitment Mortgage for affordable housing properties and Targeted Affordable Housing (as noted in Section 60.24), the Appraisal must include the following valuation types:
 - a. As-Is current market value
 - b. Hypothetical market value as if completed and stabilized today with current restricted rents
 - c. Hypothetical market value as if completed and stabilized today without restricted rents (based on market rents)
 - d. Prospective market value upon completion
 - e. Prospective market value upon completion without restricted rents (based on market rents)
 - f. Prospective market value upon completion and stabilization



- g. Prospective market value upon completion and stabilization without restricted rents (based on market rents)
 - h. All other requirements of Chapter 60
2. For all other Forward Commitment Mortgages, the Appraisal must include the following valuation types:
 - a. As Is current market value
 - b. Hypothetical market value as if completed and stabilized today with current market rents
 - c. Prospective market value upon completion
 - d. Prospective market value upon completion and stabilization
 - e. All other requirements of Chapter 60
 3. 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 Actual Mortgage Amount, or a.b. The effective date of the appraisal is dated more than 48 months prior to the date the Conversion package is submitted.

60.31 Ground leases (12/12/24)

60.31(a) Valuation conclusions (12/12/24)	60.31(c) Additional data and analysis requirements (04/15/21)
60.31(b) Sale of other multifamily properties that were subject to ground leases (04/15/21)	60.31(d) Report documentation (04/15/21)

Freddie Mac purchases Mortgage loans on the leasehold interest in a subject property; i.e., the ownership interest receiving the monthly rent from the property's tenants. It is important, then, that the appraiser adequately model the financial impact of the ground lease payments on the multifamily operations component and consider all aspects of the valuation risk associated with that ground lease on the subject property.

a. Valuation conclusions (12/12/24)

At a minimum, Freddie Mac requires the appraiser provide an as-is estimate of the leasehold market value of the subject Property on the date of value (See Section 60.1(b)).

If the Ground Lessor will not join in the Mortgage (unsubordinated ground lease), the appraiser must also provide an as-is estimate of the leased fee market value of the subject Property on the date of value.

Additionally:

- If the ownership interests will be separated by a ground lease after the date of value, the appraisal must provide both the as-is market value of the property as a whole as well as the hypothetical market value of the leasehold interest of the subject improvements subject to the ground lease, on the same/current date of value as the as-is value



- The appraisal's ground lease value might be the same or different from the negotiated terms between the ownership entities so Freddie Mac requires that the appraisal support the market value of the ground lease, not the investment value to a specific user or owner
- Copies of ground leases and amendments, even if only in draft form, must be provided to the appraiser (See Section 60.6), and the appraiser must include them in the Addenda to the appraisal report (See Section 60.20(8)).

b. Sale of other multifamily properties that were subject to ground leases (04/15/21)

For a valuation of the leasehold ownership interests, the appraisal must include sales of other multifamily properties that were also subject to ground leases, where available, as the basis for the Sales Comparison Approach and for the capitalization development in the Income Approach.

Additionally:

- These sales should be as similar to the subject as possible, both physically and in terms of its lease characteristics
- The search for comparable leasehold sales can be local, regional or national, depending on the transaction and property characteristics. The appraiser must discuss the scope of the search used for the comparable leasehold sale transactions.
- If these types of transactions are not available to the appraiser, the appraiser must provide transparency in the report of how they adapted leased fee transactions to the leasehold valuation of the subject property. (See Sections 60.14(b) and 60.14(c)).

c. Additional data and analysis requirements (04/15/21)

In addition to the requirements above:

- The appraisal must comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) regarding the value of an assemblage and not merely add the components together to derive the value of the whole.
- If the appraiser concludes that there is a value enhancement due to the separation of the ownership estates, the appraisal must explicitly provide an adequate discussion, analysis, and data to support their opinion of the incremental value of the bifurcation of the ownership
- The format of the appraisal's cash flow model would be dependent on the structure of the ground lease payments (e.g., regular cash flows, a lump sum or irregular series of cash flows)

d. Report documentation (04/15/21)

For the subject property's ground lease and for any ground lease or leasehold comparables, the appraiser must provide sufficient transactional information so the transaction can be validated, including, where available:



- Name of Ground Lessor and name of Ground Lessee
- Date of lease execution
- Public record reference of the deed or lease, if applicable, including parcel identification(s) for the land component and the building component
- Description of the site's improvements at the time of lease commencement
- Length and terms of lease and extensions, if any
- The structure of the lease payments
- Identification of any related-party transaction, a sale-leaseback, purchase option, or prior financing history between the parties
- Reversion: What does the ground lease require when the lease expires?
- Indicated capitalization rate, rate of return, and/or discount rate (IRR) from the transaction
- With whom this transactional information was verified

Multifamily Seller/Service Guide

Chapter 61

Environmental Requirements



Environmental Requirements	
61.1 Seller/Service environmental responsibilities (08/25/26)	61.11 Lead-based paint (LBP) (02/16/23)
61.2 Environmental assessment requirements (02/16/23)	61.12 Drinking water quality (08/25/26)
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61.7 Polychlorinated biphenyls (PCBs) (02/16/23)	61.17 Environmental consultant qualifications and requirements (02/16/23)
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61.1 Seller/Servicer environmental responsibilities (02/16/23 08/25/26)

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

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

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

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

This chapter:

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

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

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

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

For each Property, the Seller/Servicer must:

1. Retain the environmental consultant

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

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



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

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

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

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

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

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61.2 Environmental assessment requirements (02/16/23)

61.2(a) Use of a qualified environmental consultant (02/16/23)	61.2(b) Environmental assessment methodology (02/16/23)

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

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

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

1. Objective

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

2. Environmental issues to be evaluated

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

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

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

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

3. Age of environmental report

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

4. Methodology

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

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

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

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

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

Section 61.3 summarizes the reporting requirements for an environmental assessment.

61.3 Environmental report requirements (02/16/23)

61.3(a) Findings (02/16/23)	61.3(d) Reliance (02/16/23)



61.3(b) Recommendations (02/16/23)	61.3(e) The Environmental Site Assessment – Form 1103 (02/16/23)
61.3(c) Information to be provided with the report (02/16/23)	

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

Each environmental report must also contain the following additional information:

a. Findings (02/16/23)

This portion of the environmental report must:

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

b. Recommendations (02/16/23)

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

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

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

d. Reliance (02/16/23)

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

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;



- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency; and
 - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

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

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

61.4 Acceptability for Mortgage purchase (08/~~17/23~~25/26)

61.4(a) General requirements for acceptability for Mortgage purchase (02/07/06)	61.4(c) Operations and maintenance (O&M) program (08/17/23)
61.4(b) Remediation and retesting (08/25/26)	

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

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

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



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

b. Remediation and retesting (09/01/1608/25/26)

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

1. If the Borrower already owns the Property, the Borrower must complete the remedial action and the Seller/Servicer must confirm its effectiveness before Freddie Mac will issue a Letter of Commitment or accept an early rate-lock application. The remediation must be completed in accordance with all regulatory requirements and good management standards. The Borrower must notify local authorities, if appropriate. In addition, Freddie Mac may require additional remedial actions.
2. Freddie Mac will consider issuing a Letter of Commitment or accepting an early rate-lock application before the completion of remedial work provided that the following conditions are met:
 - The remediation can be completed within 90 days after the Origination Date (or within a timeframe agreeable to Freddie Mac)
 - The environmental consultant, when submitting the written endorsement of the remediation and retesting plan, does each of the following:
 - Identifies how long the remediation will take, given the circumstances of the Property, the scope of the remediation, and the geography and climate at the Property's location
 - States that the work will make the Property eligible under the environmental standards set forth in this chapter
 - The Borrower has signed a fixed-fee contract, with a qualified firm, that provides a clear timeline for completion of the remediation. The Seller/Servicer must establish a Repair Reserve in the amount of at least 125 percent of the gross contract amount, ~~or in the case of an SBL Mortgage, a Repair Reserve of at least 100 percent of the gross contract amount.~~

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

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

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

Freddie Mac may, in certain circumstances, purchase a Mortgage secured by a Property that contains certain environmental hazards, provided that the Borrower has or will have in place an



acceptable O&M program to manage the risk. If requested, a copy of any required O&M Program must be delivered to Freddie Mac. Throughout the life of the Mortgage, the Borrower must adhere to the O&M program, and the Seller/Servicer must ensure that the Property continues to meet Freddie Mac's requirements.

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

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

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

61.5 Hazardous materials (02/16/23)

61.5(a) Environmental assessment scope of work (02/16/23)	61.5(c) Issue resolution by Borrower (02/16/23)
61.5(b) Issue resolution by environmental consultant (02/16/23)	61.5(d) Environmental report documents (02/16/23)

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

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

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

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

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

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

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



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

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

61.6 Storage tanks (02/16/23)

61.6(a) Environmental assessment scope of work (02/16/23)	61.6(d) Environmental report documents (04/14/22)
61.6(b) Issue resolution by environmental consultant (02/16/23)	61.6(e) O&M program (02/16/23)
61.6(c) Issue resolution by Borrower (02/16/23)	

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



cleanup must be achieved such that contaminant concentrations are below federal or State cleanup standards.

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

61.7 Polychlorinated biphenyls (PCBs) (02/16/23)

61.7(a) Environmental assessment scope of work (02/16/23)	61.7(d) Issue resolution by Borrower (12/14/17)
61.7(b) Environmental assessment protocol (02/16/23)	61.7(e) Environmental report documents (02/07/06)
61.7(c) Issue resolution by environmental consultant (02/16/23)	

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

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

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

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

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

- The equipment is not owned by a utility, then the environmental consultant must determine the PCB content
- The equipment is owned by a utility, then the environmental consultant must
 - Confirm ownership with the local utility via a documented phone call or a written statement,
 - Attempt to determine the PCB content of any equipment, and
 - Report to the utility any leaks associated with any equipment that may contain PCBs (documented or unknown)

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



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

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

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

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

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

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

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

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

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

61.8 Prior use (02/16/23)

61.8(a) Environmental assessment scope of work and environmental report documents (02/16/23)	61.8(c) Issue resolution by Borrower (02/16/23)
61.8(b) Issue resolution by environmental consultant (02/16/23)	

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

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



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

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

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

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

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

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

61.9 Neighborhood hazardous waste activity (02/16/23)

61.9(a) Environmental assessment scope of work and environmental report documents (02/16/23)	61.9(b) Issue resolution by environmental consultant (02/16/23)

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

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

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

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

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



61.10 Asbestos-containing materials (ACM) (~~12/14/17~~08/25/26)

61.10(a) Environmental assessment scope of work (12/14/17)	61.10(d) Issue resolution by Borrower (08/25/26)
61.10(b) Environmental assessment protocol (12/14/17)	61.10(e) Environmental report documents (05/31/11)
61.10(c) Issue resolution by environmental consultant (12/14/17)	61.10(f) O&M program (12/14/17)

a. Environmental assessment scope of work (12/14/17)

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

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

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

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

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

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

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

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

- Whether an ACM inventory is needed



- Which materials must be removed and the cost of such removal
- Which materials must be repaired and the cost of such repairs

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

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

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

d. Issue resolution by Borrower (~~12/14/17~~08/25/26)

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

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

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

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

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

1. A binding, fixed-fee ACM-removal contract from a qualified ACM abatement/removal firm that provides for the firm to remove the ACM within 90 days after the Origination Date (or within a timeframe agreeable to Freddie Mac), in strict accordance with prudent industry standard practices and all federal, State and local requirements governing the removal, transport and disposition of ACM



2. A Repair Reserve in the amount of at least 125 percent of the cost of removal, ~~or in the case of an SBL Mortgage, a Repair Reserve of at least 100 percent of the gross contract amount~~
3. Before the funds are released from the Repair Reserve, proper evidence provided by the Borrower to the Seller/Servicer that the ACM removal was performed by properly trained individuals in accordance with prudent industry standard practices and complied with all federal, State and local requirements governing the removal, transport and disposition of ACM

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

The environmental report must include tabulations of the type of material tested, exact location of the sample, condition and approximate quantity of the material, and asbestos concentration. If the samples were positive, the environmental report must include photographs of typical conditions of the areas tested. The environmental consultant must attach a copy of the laboratory analytical report to the environmental report.

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

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

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

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

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

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

Standard ACM O&M program requirements

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

1. Notification



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

2. Surveillance

Regular inspections of the condition of the ACM

3. Controls

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

4. Work practices

Procedures to avoid or minimize fiber release during activities affecting ACM

5. Recordkeeping

Documentation of O&M activities

6. Worker protection

Medical and respiratory protection programs, as applicable

7. Training

Training for the asbestos program manager, custodial and maintenance staff

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

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

61.11(a) Environmental assessment scope of work (02/16/23)	61.11(d) Issue resolution by Borrower (02/16/23)
61.11(b) Environmental assessment protocol (09/01/16)	61.11(e) Environmental report documents (01/31/14)
61.11(c) Issue resolution by environmental consultant (02/07/06)	61.11(f) O&M program (02/07/06)

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

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

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



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

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

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

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

The following testing methods are acceptable:

- Use of X-ray fluoroscope (XRF) technology (which indicates a presence of lead exceeding 1.0 mg/cm²)
- Approved laboratory analysis of scraping samples. (Samples must be sufficient to produce meaningful results.)

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

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

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

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



- Ten common area samples
- Samples from the greater of 5 percent of the living units or 10 living units. (In each living unit sampled, the environmental consultant must take at least three LBP samples.)

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

- **Entrances/hallways**

- One paint sample from one wall
- One trim/railing paint sample (floor trim, chair rail or crown moldings or painted railings)
- One paint sample from painted floor/step surfaces
- One paint sample from any fire doors or door trim. (Freddie Mac assumes the trim and door are painted with the same material.)
- One paint sample from one painted windowsill. (If the windows have been replaced with metal windows with a factory-applied finish, no sampling is necessary.)

- **Apartment units**

- One paint sample from the front door or front door trim. (Freddie Mac assumes the trim and door are painted with the same material.)
- One paint sample from one windowsill. (If the windows have been replaced with metal windows with a factory-applied finish, no sample testing of the sill is necessary.)
- One paint sample from a wall surface in each room
- One paint sample from any surface with evidence of peeling or chipping paint

- **Resident community facilities**

- Paint samples from common areas, collected in a manner similar to that of an individual unit. (Common areas include community/recreation rooms, swimming pool clubhouses and bathhouses.)
- In each laundry room, one paint sample each from one wall, the floor and window or windowsill
- One paint sample from any storage area floors and any painted storage bin doors

- **Exterior surfaces and equipment**

- One paint sample from playground equipment
- One paint sample from hand railings

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- One paint sample from painted parking bollards and parking stops

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

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

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

If LBP testing is conducted, the environmental consultant must conclude that the testing indicates no hazard (an acceptable level of LBP is defined as less than 0.5 percent by weight as measured by laboratory analysis or 1.0 mg/cm² as measured by XRF) or make one of the following recommendations:

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

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

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

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

Freddie Mac does not require any specific Borrower actions if:

- The Property was built in 1978 or later, or
- A "lead free" certificate has been issued by a qualified environmental professional in accordance with EPA, HUD or State requirements, and the environmental consultant has reviewed all supporting documentation, or
- All painted surfaces have been properly tested as specified in Section 61.11(a) and found to contain acceptable levels of LBP (less than 0.5 percent by weight as measured by laboratory analysis or 1.0 mg/cm² as measured by XRF), and
- The Property satisfies State and local LBP laws.



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

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

The environmental consultant must attach to the environmental report:

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

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

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

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

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

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

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

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

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



- Employs an EPA- or U.S. Department of Housing and Urban Development (HUD)-model training curriculum
 - Is accredited by the EPA or the State for training abatement workers and/or supervisors
 - Is sponsored by an appropriate State or local agency
- b. A properly trained individual (as described in item "a" of this section) must complete a thorough initial inspection of the entire complex, including common areas and all occupied and vacant units to assess the condition of the painted surfaces.
 - c. The property manager must establish a re-inspection schedule for the term of the Mortgage. The schedule must include a re-inspection of each living unit at least annually. The inspector must perform a thorough wet wipe-down of all horizontal surfaces at each re-inspection, even if the painted surfaces are in excellent condition.
 - d. The Borrower must have any damaged surfaces remediated using appropriate methods that will not create a release of LBP chips or dust into the living space.
 - e. The remediator must thoroughly wipe all horizontal surfaces with a wet cloth or sponge, changing the wash water often. Horizontal surfaces of greatest concern include windowsills and hard flooring near windows.
 - f. The Borrower must give the highest priority to the scheduling of repair work in dwelling units occupied by children aged six or younger, or by pregnant women.

61.12 Drinking water quality (~~02/16/23~~08/25/26)

61.12(a) Environmental assessment scope of work (02/07/06)	61.12(d) Issue resolution by Borrower (08/25/26)
61.12(b) Environmental assessment protocol (06/27/19)	61.12(e) Environmental report documents (02/07/06)
61.12(c) Issue resolution by environmental consultant (02/16/23)	

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

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

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

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

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

samples to State drinking water quality standards to determine whether compliance is currently achieved. If no State program exists, Federal Safe Drinking Water Act standards apply.

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

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

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

d. Issue resolution by Borrower (10/14/1608/25/26)

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

- The lateral water supply line must be "stubbed" at the Property's boundary
- The current water supply must have been tested and found to be in compliance with all federal, State and local drinking water requirements
- The Borrower must provide the cost estimate of the connection or conversion to the municipal water system, as prepared by a contractor capable of performing the work

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

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

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

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

61.13 Mold (12/14/1708/25/26)

61.13(a) Environmental assessment scope of work (02/07/06)	61.13(d) Issue resolution by Borrower (08/25/26)
61.13(b) Environmental assessment protocol (09/01/16)	61.13(e) Environmental report documents (02/07/06)



61.13(c) [Issue resolution by environmental consultant \(12/14/17\)](#)

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

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

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

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

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

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

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

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

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

d. Issue resolution by Borrower (~~12/14/17~~08/25/26)

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



In addition:

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

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

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

61.14 Radon (05/2208/25/26)

61.14(a) Environmental assessment scope of work (08/25/26)	61.14(d) Issue resolution by Borrower (06/15/23)
61.14(b) Environmental assessment protocol (05/22/25)	61.14(e) Environmental report documents (05/22/25)
61.14(c) Issue resolution by environmental consultant (02/16/23)	

a. Environmental assessment scope of work (05/22/2508/25/26)

The environmental consultant must determine whether radon testing is warranted at the Property. Radon testing is not required for the following Properties, programs or products:

- Supplemental Mortgages
- Cooperatives
- Manufactured Housing Communities
- Properties secured by an SBL Mortgage ~~(see Section 62SBL.14)~~
- Properties with no ground-contact residential units (e.g., ground-floor is retail, amenities or leasing office only; residential units above a parking garage or ventilated crawl space compliant with local building codes)
- Properties with property-wide radon mitigation systems and an O&M program in place
- Properties that when newly constructed incorporated radon-resistant design elements, including a:



- Layer of clean gravel or aggregate installed beneath the slab or flooring system;
- Layer of plastic sheeting or a vapor retarder installed on top of the gravel layer;
- Gas-tight venting pipe installed that runs from the gravel level through the building to the roof; and
- Thoroughly sealed and caulked foundation

If the environmental consultant concludes that testing is not warranted, they must provide their reasoning. Examples could include Property design, previous radon testing at the Property, radon testing data from environmental databases, research, or the consultant's judgement and professional experience, including reference to the Environmental Protection Agency Map of Radon Zones designation.

a-b. Environmental assessment protocol (05/22/25)

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

If the environmental consultant determines that radon testing is warranted, the testing must be conducted pursuant to the Multifamily Radon Testing Requirements outlined in [Exhibit 11, Radon Testing and Mitigation Standards](#).

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

If radon mitigation is required according to the threshold for mitigation outlined in [Exhibit 11, Radon Testing and Mitigation Standards](#), or is otherwise recommended by the environmental consultant, the environmental consultant must include in the environmental report a description of what mitigation methods will be used. The environmental consultant must review any mitigation contract(s) and comment on the appropriateness of the scope, cost and schedule for the required work.

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

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

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

If a Property cannot be mitigated prior to the Origination Date, the requirements of Section 61.4(b) apply. The Borrower must have a signed, binding, fixed-price radon mitigation contract with a qualified radon mitigation professional to mitigate the radon issue on the Property pursuant to [Exhibit 11](#) within 90 days of the Origination Date (or other time frame acceptable to Freddie Mac). In addition, the Seller/Servicer must establish a Repair Reserve in the amount of



at least 125 percent of the estimated cost of mitigation. If the initial round of testing cannot be completed prior to the Origination Date, any mitigation system that may be required must be installed within a time frame agreed to by Freddie Mac.

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

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

d.e. Environmental report documents (05/22/25)

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

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

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

61.15 Superlien status (05/31/11)

The environmental consultant must determine, and the environmental report must indicate, if the State where the Property is located has an Environmental Superlien Law that would allow environmental authorities to place a first priority lien on the Property as a result of environmental hazards.

61.16 The Environmental Site Assessment – Form 1103 (05/22/25)

61.16(a) Summary (12/15/16)	61.16(c) Private Wells, Radon and Attachments (05/22/25)
61.16(b) Recommendations and O&M programs (02/16/23)	61.16(d) Unit Inspection and Certification (12/15/16)



The environmental consultant must complete the [Form 1103](#) and sign it. The following chart lists the sections of [Form 1103](#):

<u>Section number</u>	<u>Section name</u>
Section I	Summary
Section II	Private Wells, Radon and Attachments
Section III	Unit Inspection and Certification

a. Summary (12/15/16)

Section I of the [Form 1103](#) must indicate the environmental consultant's determination of whether each environmental issue is acceptable or not, and if mitigation is required. Further, the consultant must indicate the O&M programs (or Moisture Management Plan) that are required, as well as whether additional information is required with respect to that specific issue.

b. Recommendations and O&M programs (02/16/23)

Section I of the [Form 1103](#) must detail any recommendation for response to the presence of any environmental hazard (for example, the removal of the hazard and/or the implementation of an O&M program) and the estimated costs associated with any mitigation. Section 61.4(c) provides additional guidelines for O&M programs.

c. Private Wells, Radon and Attachments (05/22/25)

In Section II of the [Form 1103](#), the environmental consultant must provide information on private wells and radon, and provide the attachments in the order in which they are listed on [Form 1103](#). If the environmental consultant does not include a particular attachment with the environmental report, the environmental consultant must provide an explanation.

d. Unit Inspection and Certification (12/15/16)

The environmental consultant must provide a list of units inspected, and the certification must be signed by an authorized representative of the consulting firm.

61.17 Environmental consultant qualifications and requirements (02/16/23)

61.17(a) Education, training and experience for Non-Scope Issues (02/16/23)	61.17(d) Insurance (06/30/16)
61.17(b) References (02/16/23)	61.17(e) Unacceptable consultants (07/01/14)
61.17(c) Conflicts of interest/providers of related services (02/07/06)	

The environmental consultant performing the environmental assessment and preparing the environmental report must be an "Environmental Professional" as that term is defined in 40 CFR § 312.10 and must meet the minimum qualifications and requirements specified in this section.



Because Freddie Mac does not approve environmental consultants, the Seller/Servicer must not consider any representation that an individual or firm is approved or qualified by Freddie Mac to perform environmental reports.

The Seller/Servicer is responsible for selecting the environmental consultant and solely accountable for the environmental consultant's performance.

a. Education, training and experience for Non-Scope Issues (02/16/23)

Personnel directly involved with the evaluation of Non-Scope Issues must also have expertise in at least the following relevant areas:

1. Asbestos identification and abatement
2. LBP identification and abatement design and supervision
3. Radon measurement and mitigation
4. Familiarity with applicable federal, State and local environmental and public health laws and regulations
5. Development of O&M programs

Additional training must include a 24-hour asbestos inspection course and an annual refresher course that, at a minimum, meets the EPA Guidelines for Asbestos Model Accreditation Plan Annual Refresher Training.

For asbestos, LBP and radon work, some States and municipalities require a license or certificate. The environmental consulting firm must utilize properly licensed or certified providers to complete the project. The Seller/Servicer must review and verify the environmental consultant's credentials, licensing, certifications, memberships and affiliations.

b. References (02/16/23)

The environmental consultant must have extensive experience completing environmental reports substantially similar in nature, size and complexity to that being performed on the Property.

Freddie Mac will not accept an environmental report from an individual or firm that has been excluded from EPA-assisted programs. The Seller/Servicer must check the federal exclusion record at <https://sam.gov/content/exclusions> for the names of individuals and firms that are excluded by federal government agencies from receiving:

- Federal contracts
- Federally approved subcontracts
- Certain types of financial and non-financial assistance and benefits

The Seller/Servicer must retain these references in its files for review by Freddie Mac.



c. Conflicts of interest/providers of related services (02/07/06)

The environmental consultant must not be affiliated with the Borrower, Seller/Servicer, or seller of the Property, or engaged in business that might present a conflict of interest. One possible conflict of interest is business with environmental enforcement agencies, where the environmental consultant's future contract awards from the agency depend on maintaining a cordial relationship with agency representatives. In remediation work requiring negotiations with the agency, such a relationship could conflict with the environmental consultant's representation of the client.

d. Insurance (06/30/16)

The environmental consultant must provide the Seller/Servicer with an original certificate(s) of liability insurance at its own expense, which evidences coverage meeting the requirements of Section 11.5.

The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

e. Unacceptable consultants (07/01/14)

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* or the *Multifamily TAH Underwriter* if the Seller/Servicer discontinues the use of a consultant for cause and such consultant has completed environmental reports within the past 12 months for Mortgages purchased by Freddie Mac.

In addition, Freddie Mac reserves the right to refuse to accept environmental assessments reports completed by any specific consultant. Freddie Mac will maintain, on FreddieMac.com, the [Multifamily Restricted Vendor List](#). If a consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to prepare environmental assessment reports for a Mortgage to be purchased by Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable consultants do not prepare reports for Multifamily and shall constitute "Confidential Information" as defined in Section 2.8.

61.18 Mortgage Servicing (05/31/12)

Using the Freddie Mac Annual Inspection Form (AIF) (see Chapter 40), the Seller/Servicer must confirm annually that the Borrower is maintaining the Property according to any applicable O&M program, environmental law or regulation. The Seller/Servicer is not expected to obtain an environmental report along with the assessment inspection. However, the Seller/Servicer must make an on-site inspection prior to advising Freddie Mac of the environmental status of the Property. The Seller/Servicer must inspect the buildings and grounds and review the activities of the Borrower, tenants, sublessors, their agents and any other third parties. These confirmations must specifically address the continuing effectiveness and adequacy of all current remedial and maintenance actions.

In addition, the Seller/Servicer must complete an AIF immediately following the occurrence of any event that might reasonably be expected to impact the environmental condition of the Property or the adequacy of prescribed remedial or maintenance actions. Such events would include fire, flood,



building construction or rehabilitation, spills or leaks of hazardous wastes or materials, unusual or intense use of property facilities, or significant changes in custodial or management personnel.

The Borrower must comply fully with all applicable environmental laws and report any violations of such laws to the Seller/Service and the appropriate federal, State or local authority.

The Seller/Service must require that the Borrower take all necessary actions to ensure that all violations are promptly corrected and that the Property is brought back to, and maintained in full compliance with, all appropriate environmental statutes and good management practices.

61.19 Representations and warranties (09/28/18)

The Seller/Service is deemed to make the warranties regarding the environmental report and the environmental consultant set forth in Section 5.4.

Multifamily Seller/Servicer Guide

Chapter 62

Property Condition Report Requirements



Property Condition Report Requirements	
62.1 Property condition reports (08/25/26)	62.6 Form 1105, Property Condition Assessment (12/12/24)
62.2 Specific Seller/Servicer duties and responsibilities (08/25/26)	62.7 Acceptability of the property condition report (07/01/14)
62.3 Property condition report requirements (12/12/24)	62.8 Property condition consultant qualifications and requirements (02/28/18)
62.4 Data collection and records inquiry for the property condition report (12/12/24)	62.9 Coordination with Appraisal (03/31/11)
62.5 Inspection requirements for the property condition report (08/25/26)	62.10 Representations and warranties (09/28/18)

62.1 Property condition reports (12/12/2408/25/26)

62.1(a) Purpose of the property condition report (12/12/24)	62.1(b) Information to be provided with the property condition report (01/01/13)

~~Unless Freddie Mac otherwise requires, SBL Seller/Service providers must refer to Chapter 62 SBL, SBL Physical Risk Report Requirements, to obtain the requirements for evaluating the physical risk of Property secured by an SBL Mortgage.~~

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

For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the property condition report. See Section 63.3 for requirements for the pre-construction analysis report.

This chapter sets forth the requirements, duties and responsibilities of the Seller/Service provider and the property condition consultant to evaluate the physical condition of the Property, identify deficiencies and provide recommendations to Freddie Mac.

Freddie Mac requires the Seller/Service provider 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.

a. Purpose of the property condition report (12/12/24)

The purpose of the property condition report is to:

- Provide a brief description of all major building components and their condition
- Identify all deferred maintenance that is currently affecting building components or is expected to have a negative impact on building components
- Identify Critical Repairs and Priority Repairs needed and provide cost estimates for those items
- Identify the capital needs over the term of the Mortgage and establish the appropriate amount of Replacement Reserves
- Identify any current or past water intrusion, potentially damaging leaks or organic growth issues (Mold) and identify the source(s) of all water and Mold
- Identify problematic materials, equipment or systems as defined in Section 62.5(c)
- Identify all readily observable issues related to non-compliance with applicable codes, including disability accessibility requirements, and all issues that could negatively affect the health and safety of the tenants

**b. Information to be provided with the property condition report (01/01/13)**

The property condition report must include the following:

- All information the consultant reviewed, including all data and records provided by the Borrower and documentation reviewed in accordance with Section 62.4 (Key documents, such as renovation scope of work and budgets, should be included in the report appendix.)
- Sufficient standard-size color photographs as are necessary to illustrate the conditions discussed in the report (The consultant must determine the number of photographs that will be necessary and include the photographs in Section VI, with a narrative describing each photograph.)
- A site plan(s) to adequately locate the Property and provide an indication of the site layout
- The resume of the individual who performed the on-site inspection
- The resume of the individual who reviewed the report, if different from the individual who performed the inspection

62.2 Specific Seller/Service duties and responsibilities (~~12/12/24~~08/25/26)

The Seller/Service must exercise due diligence when evaluating a Property and must make appropriate inspections and inquiries to assess structural, mechanical or other property conditions and determine the Property's true condition.

The Seller/Service's responsibilities are to:

- Retain and direct the property condition consultant, as follows:

The Seller must review and verify the property condition consultant's credentials, licensing, certifications, memberships and affiliations. For new consultants, the Seller must check at least three references from lenders who have retained or employed the property condition consultant to sufficiently evaluate the consultant's capabilities and performance. The Seller must maintain a separate property condition consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each consultant's performance, as well as the consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the property condition consultant. However, the Borrower may be responsible for paying the costs of all property condition consultant services.

- Provide to the consultant all information pertaining to the maintenance, repair and replacement of major building components or systems before the consultant physically inspects the Property

- Obtain a property condition report for the Property and:
 - Review the property condition report to ensure that it complies with Freddie Mac’s requirements and to verify that conclusive recommendations are provided for all identified issues
 - Obtain additional analysis as necessary to resolve any issues with respect to which the consultant was unable to reach a conclusion
- In accordance with Section 8.17 ~~or 8SBL-17, as applicable~~:
 - Report Critical Repair findings to Freddie Mac, and follow up to ensure timely completion of Critical Repairs
 - Include completion, reserve funding, and other requirements for Capital Replacements and Repairs in the Loan Documents when required by the Letter of Commitment.
- When problematic materials, equipment and systems are identified, as described in Section 62.5(c):
 - Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property
 - Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems

62.3 Property condition report requirements (12/12/24)

62.3(a) General requirements for property condition reports (01/01/13)	62.3(c) Specific requirements for property condition reports (02/17/22)
62.3(b) Repair categories (12/12/24)	

a. General requirements for property condition reports (01/01/13)

Each property condition report must:

- Be prepared by a consultant who meets the qualifications and requirements stated in Section 62.8
- Include information disclosed by a comprehensive inspection of the Property
- Meet the requirements of Sections 62.4 and 62.5
- Indicate the appropriate category described below for each repair item except Routine Repairs and Maintenance
- For every Critical Repair and Priority Repair that is identified, provide a suggested remedy and a cost for repair or replacement



- If a cost for repair or replacement of any item cannot be identified without further analysis, recommend a scope for the analysis and the estimated cost of such analysis

The property condition consultant must review pertinent information and records in accordance with Section 62.5.

b. Repair categories (12/12/24)

The repair categories are as follows:

- Critical Repairs – Repairs and replacements required to address conditions that significantly impair habitability, safety, value, income or marketability due to the failure or combination of failing conditions of any major building system or structure and that must be corrected before Freddie Mac will proceed with the transaction
- Priority Repairs – Repairs and replacements of conditions noted below that must be addressed within 365 days after the Origination Date unless they are designated as PR-90 Repairs, which must be addressed within 90 days after the Origination Date. Priority Repairs consist of:
 - All Life Safety Hazards
 - Violations of any federal, State or local law, ordinance or code relating to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
 - Physical Deficiencies – Unresolved problems that cannot reasonably be addressed by or have not been addressed by normal operations or Routine Repairs and Maintenance and which include:
 - Deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year
 - Deficiencies that will likely result in a significant escalation of remedial cost related to any material building components that are approaching, have reached or exceeded their typical expected useful life or whose remaining useful life should not be relied upon in view of actual or effective age, abuse, excessive wear and tear, poor maintenance and exposure to the elements
 - Any Mold, water intrusions or potentially damaging leaks
 - Deferred Maintenance – The postponement of normal maintenance, which cannot reasonably be resolved by or has not been addressed by normal operations or Routine Repairs and Maintenance, having a cost of more than \$3,000 per repair item. Deferred Maintenance may result in any of the following:
 - Physical deterioration



- Lack of full operation or efficiency
- Increased operating costs
- Decline in property value
- PR-90 Repairs – Priority Repairs that must be addressed within 90 days after the Origination Date. PR-90 Repairs consist of:
 - Any Life Safety Hazard that is about to cause harm and represents an imminent or immediate risk to tenants that encounter the hazard
 - Any condition that may cause imminent damage or is the cause of immediate damage to any major building system or structure that if left uncorrected, could result in a Critical Repair
- Routine Repairs and Maintenance – Repairs and maintenance that are expected to be completed by the Borrower in the normal course of property operations and are nominal in cost. These repairs are not considered to be Critical Repairs or Priority Repairs and include work that is:
 - Often preventative in nature
 - Accomplished within the Property's normal operating budget
 - Typically completed by on-site staff
 - Focused on keeping the Property fully functioning and serviceable
 - Minor Deficiencies or Deferred Maintenance with a cost of \$3000 or less per repair item

The property condition consultant is not expected to identify in the property condition report Routine Repairs and Maintenance that are part of a current standard property operating procedure so long as these items appear to have been repaired or maintained regularly. The property condition consultant should assess if items that show a lack of repair and maintenance warrant categorization as a Priority Repair.

See Section 62.6(f) for the requirement to identify capital needs over the term of the Mortgage (Replacement Reserves).

c. Specific requirements for property condition reports (02/17/22)

[Form 1105, Property Condition Assessment](#), must be completed and submitted as described in Section 62.6.

The property condition report must:

- Clearly state any limiting conditions and the intended purpose of the report



- Identify deviations from the Guide requirements and the most recent version of ASTM standard E2018
- Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac

At initial submission of the full underwriting package to Freddie Mac, the site inspection supporting the property condition report must be dated within 30 days prior to the date of the property condition report.

In addition, the Seller/Servicer must direct the property condition consultant to include the following language in the property condition report:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency; and
 - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic



or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

Freddie Mac may require that the property condition report be updated if the property condition report is dated more than six months prior to the date that the Letter of Commitment or Acceptance Letter or Modification Letter, as applicable, for an early rate-lock application is issued.

Freddie Mac may require other specialized reports to address specific issues, when needed.

62.4 Data collection and records inquiry for the property condition report (12/12/24)

The property condition consultant must:

- Review information pertaining to the maintenance, repair and replacement of major building components or systems
- Review all significant maintenance reports, repair receipts and replacement items completed within the past 12 months, as well as elevator, boiler and safety inspection records and certificates
- Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress
- Determine if any deficiencies identified in the inspection are included in the Borrower’s scope of work, and if deficiencies noted are part of planned or ongoing improvements, analyze the Borrower’s budget associated with this work to determine the adequacy of the budget
- Note readily observable deficiencies and/or violations of any federal, State or local laws, ordinances or codes that remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
 - For properties built prior to the enactment of the Fair Housing Act and the American Disabilities Act, note any conditions that could be repaired and/or renovated that pursuant to the applicable federal, State and local laws, statutes and regulations are **"readily achievable"** and/or qualify as **"reasonable accommodations"** which will increase accessibility for disabled tenants and visitors to the property in accordance with the applicable laws, statutes and regulations
- Make appropriate inquiry through publicly available sources to determine if any federal, State or local law, ordinance or code violations remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
- For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64.2, evaluate the seismic risk factors found in Section 64.2(c)



- For a Property where a Solar Electric System is installed or will be installed, include information outlined in Section 8.21(f)

The property condition report must identify the information the consultant reviewed and the contacts that the consultant made.

62.5 Inspection requirements for the property condition report (~~12/15/22~~08/25/26)

62.5(a) Property grounds and buildings (12/15/22)	62.5(d) Moisture or Mold issues (08/25/26)
62.5(b) Dwelling units, commercial units and building interior (01/31/14)	62.5(e) Wood-damaging insects (08/25/26)
62.5(c) Problematic materials, equipment and systems (06/27/19)	

The property condition consultant must perform a complete inspection of the exterior and interior of the Property's components. This inspection must document the types of materials, systems and equipment observed and must include an evaluation of the installation and the age and condition.

a. Property grounds and buildings (12/15/22)

A review of the property grounds and buildings (both residential and nonresidential buildings and structures) must consist of an inspection of at least the following:

1. Site work (for example, drainage, paving, flatwork, accessibility, lighting, landscaping, irrigation, signage, refuse containment, garages and carports, fencing and retaining walls)
2. Roofing (for example, material condition and age, parapets, scuppers, drains, gutters and downspouts, flashing and coping, skylights)
3. Building facades (for example, building materials, condition, and water penetration; windows; doors, sealants)
4. Structure (for example, foundations, framing systems, balconies and exterior stairs)
5. Heating, ventilation and air conditioning (HVAC) systems (for example, manufacturer and capacity)
6. Plumbing systems (for example, fixtures, piping materials used, supply system, waste system and vent system)
7. Electrical system (for example, capacity, fixtures, distribution system and emergency power)
8. Elevators (for example, cab, controls and equipment and inspection certifications)
9. Amenities (for example, pool, sports courts, playground)

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10. Safety and warning devices (for example fire protection and security systems)
11. Water and seepage conditions
12. Septic/well systems
13. If the Property is located in an Elevated Seismic Hazard Region, as defined in Section 64.2, the seismic risk factors found in Section 64.2(c)

b. Dwelling units, commercial units and building interior (01/31/14)

A review of the interiors of the dwelling units, commercial units and all building common areas must include the inspection of at least the following:

1. Interior spaces (for example, cabinets, appliances, fixtures with finishes described, conditions noted and accessibility evaluated)
2. Common space (for example, lobbies, corridors, stairs, offices, laundry, garage, etc. with finishes described, conditions noted and accessibility evaluated)
3. Flooring materials and condition (for example, subfloor and finishes such as wood, carpet, vinyl or other mastic tiles)
4. Wallboard and ceiling coverings (for example, gypsum, paneling or other types of coverings for walls and acoustic panels, gypsum or other for ceilings)
5. Fixtures (for example, wiring devices and plumbing and electrical fixtures)
6. Windows (for example, hardware, treatments, screens and storm windows)
7. Doors (for example, hardware, locks and security devices)
8. Intercoms and other security and safety devices (for example, smoke detectors)
9. Kitchen appliances and cabinets/countertops
10. Bathroom fixtures and plumbing
11. Fireplaces
12. Washers/dryers and/or hookups
13. Fire/safety protection devices (for example, smoke detectors, alarms, sprinklers, fire extinguishers, security devices)

The consultant must inspect sufficient units to accurately evaluate the condition of each building and its systems. The consultant must select the units to be inspected and ensure that all buildings and unit types are reviewed. The minimum number of units to be inspected



is:

- 100 percent of all commercial units
- Overall, at least 10 percent of all residential units, as follows:
 - At least 50 percent of vacant units, and
 - At least 50 percent of Down Units; if the conditions in the Down Units vary considerably, the consultant must inspect additional units to adequately identify the costs to make the Down Units rent-ready

c. Problematic materials, equipment and systems (06/27/19)

For a Mortgage secured by an MHC Property, see Section 22.6(b) in addition to the requirements of this Section 62.5(c).

As part of the inspection of the Property, the consultant must evaluate any potentially problematic materials, equipment or systems. Problematic building components include those that historically have performed poorly and those subject to recalls and/or class action lawsuits.

In particular, consultants should evaluate the following items:

1. Electrical capacity, overload protection and aluminum wiring

The minimum amperage acceptable to each unit is 60 amperes. If service levels less than 60 amperes are encountered or reported, the consultant must:

- Perform a load calculation for each unit type affected based on the most current guidelines described in National Electric Code (NEC) Article 220, Sections I-III, or review the results of a load calculation similarly prepared by a licensed electrician or electrical engineer
- Make corrective recommendations as appropriate

If the power supply is found to be inadequate, then corrective measures must be made before the Origination Date or a Repair Reserve with a completion date satisfactory to Freddie Mac must be established to correct the inadequate power supply. Regardless of the service level or the results of a load calculation, the Property must meet the minimum requirements of the NEC and all local building codes.

Overload protection for all apartments must, at a minimum, be provided by circuit breakers or tamper-proof (S-type) fuses. If S-type fuses are present, the consultant must determine the adequacy of the installation and associated components, and whether an upgrade to circuit breakers is warranted. Any overload protection devices that are not tamper-proof must be replaced prior to the Origination Date.

If aluminum wiring is present, the consultant must identify all branch wiring terminations that are either:



- Unsafe
- Not code-compliant
- Not a “permanent repair” as indicated by the Consumer Product Safety Commission

The consultant must identify any required repairs for any connections that are unsafe or not code-compliant.

2. Private wells

For any property with a private well(s), the consultant must inspect all visible components and describe the system, including its intended uses, historical operations and adequacy. Additionally, the consultant must:

- a. Verify that access to equipment is restricted to authorized personnel
- b. Provide costs for connecting to the municipal water system if one is readily available
- c. Identify any backup water source in the event the system becomes unusable – if no source is in place, provide recommendations and costs for providing one
- d. Confirm historical operations of the system, including any violations
- e. Identify reserves needed to maintain the system
- f. Determine if private wells are common to the market
- g. Confirm any required license or authorization to operate the system is in place
- h. Confirm that the Borrower is the only party using or authorized to use the private well(s) servicing the property (i.e., no third-party has the right to tie-in to the Borrower's private well(s) and the Borrower's license or authorization to operate the private well(s) is not conditioned on providing private well services to another property)
- i. Confirm professional third-party maintenance
- j. Confirm that the private well(s) meet or exceed applicable federal, state, and local requirements
- k. Confirm that wells are neither owned nor maintained by residents

3. Private wastewater treatment system(s) (including septic and lift systems)

For any property with a private septic/waste treatment system (including lift system), the consultant must inspect all visible components and describe the system, including its historical operations and adequacy. Additionally, the consultant must:

- l. Verify that access to the system is restricted to authorized personnel



- m. Provide costs necessary to link into the municipal waste system if one is readily available
- n. Describe the leach field and distance to surrounding bodies of water that could be impacted by the effluent
- o. Confirm that no buildings or structures are located on top of the leach field
- p. Confirm historical operations of the system, including any violations
- q. Identify reserves needed to maintain the system and leach field
- r. Determine if private waste treatment systems are common to the market
- s. Confirm any required license or authorization to operate the system is in place
- t. Confirm that the Borrower is the only party using or authorized to use the private waste treatment system or private waste system network servicing the property (i.e., no third-party has the right to tie-in to the Borrower's private waste treatment system and the Borrower's license or authorization to operate the private waste treatment system is not conditioned on providing private waste treatment services to another property)
- u. Confirm professional third-party maintenance
- v. Confirm that the waste treatment system meets or exceeds applicable federal, state, and local requirements
- w. Confirm that waste treatment systems are neither owned nor maintained by residents

d. Moisture or Mold issues (~~02/28/18~~08/25/26)

The consultant must identify any Mold problems for all areas observed by completing the following tasks:

1. Search for visual or olfactory evidence of moisture or Mold issues in all areas required to be inspected as set forth in Sections 62.5(a) and 62.5(b)
2. Make inquiries of the Property owner, manager or other knowledgeable Property staff regarding past and current water intrusion, potentially damaging leaks or any known Mold issues
3. Make inquiries of the Property owner, manager or other knowledgeable Property staff about whether there have been any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
4. Inspect areas where water intrusion or leaks were reported
5. Inspect all building components or areas most typically associated with water intrusion or potentially damaging leaks

6. Identify any defective building condition that would likely lead to future water intrusion or leaks

Other than minor Mold due to poor housekeeping, the consultant must identify the cause of any Mold problem.

If the property condition report indicates that there are moisture or Mold issues, the sources of all identified water intrusion or potentially damaging leaks must be corrected and all Mold issues must be corrected in accordance with Environmental Protection Agency (EPA) guidelines for clean-up and remediation prior to the Origination Date. If the moisture or Mold issues are not corrected prior to the Origination Date, Freddie Mac will require the Borrower to establish a Repair Reserve for correction, clean-up and remediation.

If required, prior to the Origination Date, the Borrower must establish a Moisture Management Plan in accordance with the requirements set forth in Section 8.3(a) ~~or Section 8SBL.3(a), as applicable.~~

Any Property where Mold issues have been identified will be subject to:

- The Increased Scrutiny for Moisture or Mold Issues requirements set forth in Section 8.3(b) ~~or Section 8SBL.3(b), as applicable~~
- The Special Moisture or Mold Issues Inspection requirements set forth in Section 8.3(c) ~~or Section 8SBL.3(c), as applicable~~

e. Wood-damaging insects (12/15/1608/25/26)

During the inspection, the consultant must comment on observable evidence of wood-damaging insects (e.g., termites, powderpost beetles, carpenter ants, etc.) and/or deterioration due to wood-damaging insects in all areas required to be inspected in Sections 62.5(a) and 62.5(b). The consultant must also ask the Property owner, manager or other staff knowledgeable about the Property about past wood-damaging insect issues and current evidence of wood-damaging insects and/or wood-damaging insect deterioration, and inspect those areas.

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

~~For a non-SBL Mortgage, the~~The Seller must provide the documentation described in Section 8.2(e) for any building with a structure or significant components that could be subject to damage by wood-damaging insects.

62.6 Form 1105, Property Condition Assessment (12/12/24)

62.6(a) Summary (12/14/23)	62.6(e) Manufactured Housing Communities (06/29/18)
62.6(b) Property inspection and evaluation (12/12/24)	62.6(f) Capital Needs Over the Mortgage Term (Replacement Reserves) (12/12/24)



62.6(c) Repairs and cost estimates (12/12/24)	62.6(g) Repair Categories (12/12/24)
62.6(d) Private Wells, Wastewater Treatment Systems, and Lift Stations (06/29/18)	62.6(h) Additional information (06/29/18)

The consultant must complete [Form 1105, Property Condition Assessment](#) and must deliver a Property Condition Assessment Report (PDF Format, including [Form 1105](#)).

The following chart lists the sections of [Form 1105](#).

Section number	Section name
Section I	Summary
Section II	Property Inspection and Evaluation
Section III	Repairs and Cost Estimates
Section IV	Private Wells, Wastewater Treatment Systems, and Lift Stations
Section V	Manufactured Housing Communities
Section VI	Capital Needs Over the Loan Term
Section VII	Repair Categories

a. [Summary \(12/14/23\)](#)

In Section I, the consultant must:

- Provide general information on the consultant and the Property
- Summarize the building and material characteristics for the Property
- List the units inspected
- List the parties present during the site visit
- For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64.2, evaluate the high-risk seismic factors
- Provide the required certification for the [Form 1105](#) and the attached narrative

The consultant must complete Section I of [Form 1105](#) in its entirety and sign the form.

b. [Property inspection and evaluation \(12/12/24\)](#)

In Section II, the consultant must:

- Provide a summary describing the general condition, useful life, quality and adequacy of each of the Property components as required in Section 62.5
- Estimate the useful life of each of the Property components based on industry standards



- Estimate the remaining useful life of each of the Property components based on time of actual usage, quality, condition, maintenance, exposure to weather and other factors that may impact the remaining useful life
- Provide the costs for repair or replacement for any components that are identified with useful lives that will expire within the Mortgage term or shortly thereafter
- In the Comments columns, note any Life Safety Hazards, deficiencies, deferred maintenance, problematic materials, Mold or evidence of wood-damaging insect infestation observed at the Property
- List all findings of the inspection, research and information collected as part of the assessment
- Note any Critical Repairs and Priority Repairs (The report is not expected to identify Routine Repairs and Maintenance that are part of the current operating standards so long as these items appear to have been repaired or maintained regularly. The property condition consultant should assess if items that do show a lack of repair and maintenance warrant categorization as a Priority Repair.)
- Offer a recommended remedy that is appropriate to the particular problem and to the Property for each deficiency identified on this form (In case of serious problems that may involve considerable time and cost to cure, the consultant must also offer alternative solutions that can provide a temporary or partial remedy.)

c. Repairs and cost estimates (12/12/24)

In Section III, the consultant must:

- Identify the Critical Repairs and Priority Repairs
- Identify Priority Repairs that need to be completed as soon as possible as PR-90 Repairs, as defined in Section 62.3(b), indicating that these repairs should be completed within 90 days after the Origination Date
- Estimate the costs of such repairs (the unit of measure and quantity of the specific items to be repaired or replaced, the per-item costs and the estimated total cost to repair or replace the items)
- Provide the location of the items and repairs identified

d. Private Wells, Wastewater Treatment Systems, and Lift Stations (06/29/18)

In Section IV, the consultant must:

- Identify which private systems are at the Property or confirm that none are present
- Answer all applicable questions and provide requested detail



e. **Manufactured Housing Communities (06/29/18)**

In Section V, the consultant must:

- State if the subject is a Manufactured Housing Community or if Manufactured Housing units are present at the Property
- Answer all applicable questions and provide requested detail

f. **Capital Needs Over the Mortgage Term (Replacement Reserves) (12/12/24)**

In Section VI, the consultant must:

- Identify the items needing repair or replacement during the term of the Mortgage that are beyond the scope of normal operations and regular maintenance but are necessary to maintain the overall condition of the Property
- Provide an assessment of the Property that:
 - Projects the need for replacements and repairs for the term of the Mortgage plus two years, to a maximum of 12 years
 - Identifies and quantifies the needs and the annual costs after accounting for the inflation factor as indicated in Section VI of the form

Freddie Mac will review the consultant's assessment and determine the actual Replacement Reserve amount. For a Mortgage with a term of more than 10 years, see Section 39.6(f) for additional Replacement Reserve requirements.

For Seniors Housing Mortgages, see additional requirements for the Replacement Reserve analysis in Section 21.16(e).

For Manufactured Housing Communities Mortgages, see additional requirements for the Replacement Reserve analysis in Section 22.2(i).

g. **Repair Categories (12/12/24)**

Section VII provides brief definitions of Critical Repairs and Priority Repairs.

h. **Additional information (06/29/18)**

Photographs, data collected and records inquiries compiled as part of the investigation must be attached to the report.

62.7 **Acceptability of the property condition report (07/01/14)**

The property condition report and the condition of the Property must be acceptable to Freddie Mac. The property condition report must specify an appropriate solution for each deficiency



identified. The consultant must identify the scope and estimated cost for all Critical Repairs and Priority Repairs. Upon Freddie Mac's review of the completed property condition report, Freddie Mac may impose additional requirements.

62.8 Property condition consultant qualifications and requirements (02/28/18)

62.8(a) General requirements (09/08/04)	62.8(d) Insurance (06/30/16)
62.8(b) References and experience (02/28/18)	62.8(e) Unacceptable consultants (02/29/12)
62.8(c) Conflicts of interest/provision of related services (03/31/11)	

Consultants who conduct the on-site inspections and complete the property condition reports must meet the qualifications and requirements specified in this section.

Because Freddie Mac does not approve property condition consultants, the Seller/Servicer must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare property condition reports. The Seller/Servicer is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.

a. General requirements (09/08/04)

Consultants' qualifications may vary with the needs of the specific assignment: general inspection services or specific technical analysis may be required. The consultant must be able to analyze building systems and site conditions professionally, identify deficiencies and recommend remedial responses with cost estimates.

b. References and experience (02/28/18)

A consultant performing inspections and preparing property condition reports must have all of the following qualifications:

- A bachelor's or graduate degree in architecture and/or a related engineering field from an accredited institution
- Five or more years of experience in one or more of the following disciplines: architecture, engineering (structural, mechanical or civil) and/or construction/cost estimating
- Three or more years of experience performing multifamily property inspections
- Two or more years of experience conducting similar work for financial institutions

The Seller/Servicer must check at least three client references from the consultant's previous lenders to determine whether the projects were

- Similar in scope and purpose to the Property
- Completed on time



- Of sufficient quality

The Seller/Servicer must review the consultant's licensing and other certifications (in States where they are applicable), as well as listings of affiliations or memberships in professional organizations. The Seller/Servicer must also maintain in its file for review by Freddie Mac a current resume for the consultant, a current insurance certificate and the required references.

c. Conflicts of interest/provision of related services (03/31/11)

The consultant may not be affiliated with the Borrower, the Seller/Servicer, a buyer or seller of the proposed Property, or engaged in any business that might present a conflict of interest. The consultant may not be engaged to perform any repair or remedial work specified in the property condition report.

d. Insurance (06/30/16)

The consultant must provide to the Seller/Servicer an original certificate(s) of insurance that indicates that the consultant is, at its own expense, covered by insurance meeting the requirements of Section 11.5.

The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

e. Unacceptable consultants (02/29/12)

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 a consultant who has completed property condition reports within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. The TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept property condition reports completed by any specific consultant. Freddie Mac will maintain, at mf.freddiemac.com, the [Multifamily Restricted Vendor List](#). If a property condition consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to inspect a Property 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 property condition consultants do not prepare reports for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

62.9 Coordination with Appraisal (03/31/11)

The Seller/Servicer must provide copies of the completed property condition report to the appraiser so that the property's physical condition may be considered in the Appraisal.



62.10 Representations and warranties (09/28/18)

The Seller/Service is deemed to make the warranties regarding the property condition consultant and property condition report set forth in Section 5.4.

Multifamily Seller/Service Guide

Chapter 62SBL

SBL Physical Risk Report Requirements



Chapter 62SBL is deleted. Refer to Chapter 66 for Physical Risk Report requirements.

SBL Physical Risk Reports (12/12/24)

- a. Purpose of the SBL Physical Risk Report (12/12/24)
- b. Information to be provided with the SBL Physical Risk Report (02/16/23)

62SBL.2 Specific Seller/Service duties and responsibilities (12/12/24)

62SBL.3 SBL Physical Risk Report requirements (08/26/25)

- a. General requirements for SBL Physical Risk Reports (02/16/23)
- b. Repair categories (12/12/24)
- c. Capital needs over the term of the Mortgage (Replacement Reserves) (08/26/25)
- d. Remediation and retesting (06/30/16)
- e. Operations and maintenance (O&M) program (06/30/16)
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- a. Property grounds and buildings (12/15/22)
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62SBL.6 Hazardous material (02/16/23)

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62SBL.10 Neighborhood hazardous waste activity (02/16/23)

62SBL.11 Asbestos-containing materials (ACM) (02/16/23)

- a. Refer to Section 61.10(a) and Sections 61.10(c) through 61.10(f) (02/16/23)
- b. Environmental assessment protocol (02/16/23)
- c. Issue resolution by physical risk consultant (06/30/16)
- d. Issue resolution by Borrower (02/16/23)

62SBL.12 Lead-based paint (02/16/23)



~~62SBL.13 Drinking water quality (02/16/23)~~

~~62SBL.14 Radon (06/30/16)~~

~~62SBL.15 Superlien status (06/30/16)~~

~~62SBL.16 Acceptability of the SBL Physical Risk Report (02/16/23)~~

~~62SBL.17 Physical risk consultant qualifications and requirements (06/23/26)~~

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

~~b. References and experience (02/16/23)~~

~~c. Conflicts of interest/provision of related services (06/30/16)~~

~~d. Insurance (06/23/26)~~

~~e. Unacceptable consultants (06/30/16)~~

~~62SBL.18 Mortgage Servicing for SBL Mortgages (10/14/16)~~

~~62SBL.19 Representations and warranties (09/28/18)~~



62SBL.1 SBL Physical Risk Reports (12/12/24)

~~Unless otherwise required by Freddie Mac, this chapter applies to loans purchased under the SBL Purchase Product.~~

~~This chapter sets forth the requirements, duties and responsibilities of the Seller/Service, the Borrower and the physical risk consultant to evaluate the property condition and the environmental hazards associated with the Property and report this information to Freddie Mac. The consultant must provide resolution and costs for any deficiencies and any hazards identified at the Property.~~

~~Freddie Mac requires the Seller/Service to submit an SBL Physical Risk Report — Form 1104 (SBL Physical Risk Report) meeting the requirements of Section 62SBL.3 before Freddie Mac will issue a Letter of Commitment to purchase a Mortgage.~~

a. Purpose of the SBL Physical Risk Report (12/12/24)

~~The purpose of the SBL Physical Risk Report is to:~~

- ~~• Provide a brief description of all major building components and their condition~~
- ~~• Identify all Deferred Maintenance (as such reference is described in Section 62SBL.3.b. below) that is currently affecting building components or is expected to have a negative impact on building components~~
- ~~• Identify Critical Repairs and Priority Repairs (as defined in Section 62SBL.3(b)) needed and provide cost estimates for those items~~
- ~~• Identify the capital needs over the term of the Mortgage and establish the appropriate amount of Replacement Reserve~~
- ~~• Review the evidence of capital expenditures or construction work provided by the Seller, determine whether the related costs are generally reasonable for the completed work, and if visually ascertainable, identify whether the improvements generally align with the documentation~~
- ~~• Identify any current or past water intrusion, potentially damaging leaks or organic growth issues (Mold) and identify the source(s) of all water and Mold~~
- ~~• Identify problematic materials, equipment or systems as defined in Section 62SBL.5(c)~~
- ~~• Identify all readily observable issues related to non-compliance with applicable codes, including disability accessibility requirements, and all issues that could negatively affect the health and safety of the tenants~~
- ~~• For a property in an Elevated Seismic Hazard Region, evaluate the seismic risk factors identified in Section 64SBL.2(c)~~
- ~~• Identify any potential environmental concerns at the subject property and on adjacent properties~~



~~b. Information to be provided with the SBL Physical Risk Report (02/16/23)~~

~~The completed SBL Physical Risk Report which conveys information about the property features, conditions, potential environmental concerns and all recommended remedies must be submitted to Freddie Mac along with copies of:~~

- ~~• All information the consultant reviewed, including all data and records provided by the Borrower as well as test results and data reviewed in accordance with Section 62SBL.4 (Key documents, such as test results, environmental databases and renovation scope of work and budgets, should be included in the report appendix.)~~
- ~~• Sufficient standard size color photographs as are necessary to illustrate the conditions discussed in the report, including completed capital improvements (if visually ascertainable) or construction. (The consultant must determine the number of photographs that will be necessary and include the photographs, with a description for each photograph.)~~
- ~~• A site plan(s) to adequately locate the Property and provide an indication of the site layout~~
- ~~• The resume of the individual who performed the on-site inspection~~
- ~~• The resume(s) of the individual(s) who reviewed the report, if different from the individual who performed the inspection~~

~~62SBL.2 Specific Seller/Service duties and responsibilities (12/12/24)~~

~~The Seller/Service must exercise due diligence when evaluating a Property, make appropriate inspections and inquiries to learn its true condition and take responsible actions to manage the risk of loss from property condition deficiencies and environmental hazards.~~

~~The Seller/Service's responsibilities are to:~~

- ~~• Retain and direct the physical risk consultant~~

~~The Seller must review and verify the physical risk consultant's credentials, licensing, certifications, memberships and affiliations. For new consultants, the Seller must check at least three references from lenders who have retained or employed the physical risk consultant to sufficiently evaluate the consultant's capabilities and performance. The Seller must maintain a separate physical risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each consultant's performance, as well as the consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.~~

~~The Borrower must not retain or direct the physical risk consultant; however, the Borrower may be responsible for paying the costs of all physical risk consultant services.~~

- ~~• Disclose if the State where the Property is located has an Environmental Superlien Law~~



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

- ~~Disclose to the *Multifamily Small Balance Loan Team* and the physical risk consultant knowledge of any environmental matter that may affect the Property and knowledge of any physical deficiencies~~
- ~~Keep abreast of local health, safety accessibility and environmental laws governing the Property~~
- ~~Provide to the consultant any previously completed SBL Physical Risk Report, in Seller/Servicer's possession, property condition report or environmental report and all information pertaining to the maintenance, repair and replacement of major building components or systems before the consultant physically inspects the Property as required in Section 62SBL.4~~
- ~~Determine if an operations and maintenance (O&M) program is required and obtain an O&M program that is acceptable to Freddie Mac~~
- ~~Assess the Borrower's ability to successfully execute an O&M program~~
- ~~Obtain the SBL Physical Risk Report for the Property~~
 - ~~Review the SBL Physical Risk Report to ensure that it complies with Freddie Mac's requirements and to verify that conclusive recommendations are provided for all identified issues~~
 - ~~Obtain additional analysis as necessary to resolve any issues with respect to which the consultant was unable to reach a conclusion~~
- ~~Ensure the appropriate risk management actions have been undertaken for identified environmental hazards~~
- ~~Provide a copy of the completed SBL Physical Risk Report to the appraiser so that the appraiser can appropriately incorporate the issues identified into the economic evaluation of the Property~~
- ~~Provide a copy of the completed SBL Physical Risk Report to the Borrower so that the Borrower can understand their obligations to complete the identified Priority Repairs (including PR-90 Repairs) as specified in the Loan Documents~~
- ~~In accordance with Section 8SBL.17~~
 - ~~Report Critical Repair findings to Freddie Mac, and follow up to ensure timely completion of Critical Repairs~~



- ~~Include completion, reserve funding, and other requirements for Capital Replacements and Repairs in the Loan Documents when required by the Letter of Commitment~~
- ~~When problematic materials, equipment and systems are identified, as described in Section 62SBL.5(c)~~
 - ~~Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property~~
 - ~~Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems~~

62SBL.3 SBL Physical Risk Report requirements (08/26/25)

a. General requirements for SBL Physical Risk Reports (02/16/23)

Each SBL Physical Risk Report must:

- ~~Be completed by a consultant who meets the qualifications and requirements stated in Section 62SBL.17~~
- ~~Document information disclosed by a comprehensive inspection of the Property to analyze all property conditions and environmental hazards~~
- ~~Meet the inspection requirements of Sections 62SBL.5 through 62SBL.15~~
- ~~Indicate the appropriate category described below for each repair item except Routine Repairs and Maintenance~~
- ~~For every Critical Repair, Priority Repair and potential environmental concern that is identified, provide a suggested remedy and a cost for repair, replacement or remediation~~
- ~~Include any environmental sampling results~~
- ~~Reference any environmental O&M programs that are recommended~~
- ~~If a cost for repair or replacement of any item cannot be identified without further analysis, recommend a scope for the analysis and the estimated cost of such analysis~~
- ~~The physical risk consultant must review pertinent information and records in accordance with Section 62SBL.5~~

~~Sections of Chapter 62SBL refer to environmental provisions in Chapter 61 to avoid duplication. For the purposes of this Chapter 62SBL, all references to the environmental report in the referenced sections of Chapter 61 are to be understood as referring to the SBL Physical Risk Report, and any references to the environmental consultant are to be understood as referring to the physical risk consultant.~~



~~b. Repair categories (12/12/24)~~

~~The repair categories are as follows:~~

- ~~● Critical Repairs—Repairs and replacements required to address conditions that significantly impair habitability, safety, value, income or marketability due to the failure or combination of failing conditions of any major building system or structure and that must be corrected before Freddie Mac will proceed with the transaction~~
- ~~● Priority Repairs—Repairs and replacements of conditions noted below that must be addressed within 365 days after the Origination Date unless they are designated as PR-90 Repairs, which must be addressed within 90 days after the Origination date. Priority Repairs consist of:~~
 - ~~○ All Life Safety Hazards~~
 - ~~○ Violations of any federal, State or local law, ordinance or code relating to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements~~
 - ~~○ Physical Deficiencies—Unresolved problems that cannot reasonably be addressed by or have not been addressed by normal operations or Routine Repairs and Maintenance and which include:~~
 - ~~● Deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year~~
 - ~~● Deficiencies that will likely result in a significant escalation of remedial cost related to any material building components that are approaching, have reached or exceeded their typical expected useful life or whose remaining useful life should not be relied upon in view of actual or effective age, abuse, excessive wear and tear, poor maintenance and exposure to the elements~~
 - ~~● Any Mold, water intrusions or potentially damaging leaks~~
 - ~~○ Deferred Maintenance—The postponement of normal maintenance, which cannot reasonably be resolved by or has not been addressed by normal operations or Routine Repairs and Maintenance, having a cost of more than \$3,000 per repair item. Deferred Maintenance may result in any of the following:~~
 - ~~● Physical deterioration~~
 - ~~● Lack of full operation or efficiency~~
 - ~~● Increased operating costs~~
 - ~~● Decline in property value~~



- ~~PR-90 Repairs—Priority Repairs that must be addressed within 90 days after the Origination Date. PR-90 Repairs consist of:~~
 - ~~Any Life Safety Hazard that is about to cause harm and represents an imminent or immediate risk to tenants that encounter the hazard~~
 - ~~Any condition that may cause imminent damage or is the cause of immediate damage to any major building system or structure that if left uncorrected, could result in a Critical Repair~~
- ~~Routine Repairs and Maintenance—Repairs and maintenance that are expected to be completed by the Borrower in the normal course of property operations and are nominal in cost. These repairs are not considered to be Critical Repairs or Priority Repairs and include work that is:~~
 - ~~Often preventative in nature~~
 - ~~Accomplished within the Property's normal operating budget~~
 - ~~Typically completed by on-site staff~~
 - ~~Focused on keeping the Property fully functioning and serviceable~~
 - ~~Minor Deficiencies or Deferred Maintenance with a cost of \$3,000 or less per repair item~~

~~The physical risk consultant is not expected to identify in the SBL Physical Risk Report Routine Repairs and Maintenance that are part of a current standard property operating procedure so long as these items appear to have been repaired or maintained regularly. The physical risk consultant should assess if items showing a lack of repair and maintenance warrant categorization as a Priority Repair.~~

c. ~~Capital needs over the term of the Mortgage (Replacement Reserves) (08/26/25)~~

~~To accommodate items needing repair or replacement during the term of the Mortgage that are beyond the scope of normal operations and regular maintenance but are necessary to maintain the overall condition of the Property, the consultant must provide an assessment of the overall property condition that will be used in underwriting to determine a replacement reserve requirement.~~

~~Based on the information reviewed and the conditions observed, the consultant must select from the following overall property ratings:~~

- ~~1—Excellent: Typically newer property or recent major rehab/significant investment, no Deferred Maintenance, no Life Safety Hazards/code violations, superior repair and maintenance practices, capital needs addressed.~~
- ~~2—Very Good/Good: Some minor issues noted that can be resolved by onsite maintenance, no/isolated Deferred Maintenance, no/isolated Life Safety Hazards/code violations, proactive repair and maintenance practices, majority of capital needs~~



~~addressed with no impact to Property performance.~~

- ~~● 3 Fair: Declining condition or Isolated deterioration typically requiring an outside contract to remediate, material Deferred Maintenance, some Life Safety Hazards/code violations, reactive repair and maintenance practices, critical capital needs addressed but additional capital investment required.~~
- ~~● 4 Deteriorated: Substantial issues noted with follow-up required, extensive Deferred Maintenance, Life Safety Hazards/code violations requiring immediate attention, reactive repair and maintenance practices that do not address concerns, critical capital needs are not being addressed which is negatively impacting Property performance.~~
- ~~● 5 Unacceptable: Functionality of systems and components is compromised which materially impacts marketability, excessive Deferred Maintenance, significant Life Safety Hazards/code violations requiring immediate action, inadequate repair and maintenance practices, critical capital needs are not being addressed.~~

~~Freddie Mac will review the consultant's assessment and determine the actual Replacement Reserve amount.~~

~~**d. Remediation and retesting (06/30/16)**~~

~~Refer to Section 61.4(b).~~

~~**e. Operations and maintenance (O&M) program (06/30/16)**~~

~~Refer to Section 61.4(c).~~

~~**f. Specific requirements for the SBL Physical Risk Report (12/14/23)**~~

~~The SBL Physical Risk Report must be completed and dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac.~~

~~At initial submission of the full underwriting package to Freddie Mac, the site inspection supporting the SBL Physical Risk Report, and the supporting environmental database report, must be dated within 30 days prior to the date of the SBL Physical Risk Report.~~

~~The SBL Physical Risk Report must be certified by the physical risk consultant and clearly~~

- ~~● Identify all conditions present during the inspection~~
- ~~● Identify all parties present during the site visit and contacted for data or information required for the report~~
- ~~● State any limiting conditions and the intended purpose of the report~~
- ~~● Identify deviations from the Guide requirements and the most recent version of ASTM standards E2018 and E1528 as well as applicable environmental regulations established by the Environmental Protection Agency (EPA)~~



~~62SBL.4 Data collection and records inquiry for the SBL Physical Risk Report (12/12/24)~~

The physical risk consultant must:

- ~~Review information pertaining to the maintenance, repair and replacement of major building components or systems~~
- ~~Review all significant maintenance reports, repair receipts and replacement items completed within the past 12 months, as well as elevator, boiler and safety inspection records and certificates~~
- ~~Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress~~
- ~~Review evidence of completed capital expenditures or construction costs~~
- ~~Determine if any deficiencies identified in the inspection are included in the Borrower's scope of work, and if deficiencies noted are part of planned or ongoing improvements, analyze the Borrower's budget associated with this work to determine the adequacy of the budget~~
- ~~Note readily observable deficiencies and/or violations of any federal, State or local laws, ordinances or codes that remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements~~
 - ~~For properties built prior to the enactment of the Fair Housing Act and the American Disabilities Act, note any conditions that could be repaired and/or renovated that pursuant to the applicable federal, State and local laws, statutes and regulations are "**readily achievable**" and/or qualify as "**reasonable accommodations**" which will increase accessibility for disabled tenants and visitors to the property in accordance with the applicable laws, statutes and regulations~~
- ~~Make appropriate inquiry through publicly available sources to determine if any federal, State or local law, ordinance or code violations remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements~~
- ~~For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64SBL.2, evaluate the seismic risk factors found in Section 64SBL.2(c)~~
- ~~Review all appropriate environmental records, including previous environmental assessment reports, past test results, information on historical use of the subject property and neighboring properties and governmental environmental database records~~
- ~~Make appropriate inquiry regarding the use and ownership of potentially hazardous equipment at the subject property~~



- ~~Conduct any required environmental testing in conformance with applicable local, State and federal regulations and licensing requirements~~

~~The SBL Physical Risk Report must identify the information the consultant reviewed and the contacts that the consultant made.~~

~~62SBL.5 Inspection requirements for the SBL Physical Risk Report (12/12/24)~~

~~The physical risk consultant must perform a complete inspection of the exterior and interior of the Property's components. This inspection must document the types of materials, systems, equipment and potential environmental concerns observed.~~

~~a. Property grounds and buildings (12/15/22)~~

~~A review of the property grounds and buildings (both residential and nonresidential buildings and structures) must consist of an inspection of at least the following:~~

- ~~1. Site work (for example, drainage, paving, flatwork, accessibility, lighting, landscaping, irrigation, signage, refuse containment, garages and carports, fencing and retaining walls)~~
- ~~2. Roofing (for example, material condition and age, parapets, scuppers, drains, gutters and downspouts, flashing and coping, skylights)~~
- ~~3. Building facades (for example, building materials, condition, and water penetration; windows; doors, sealants)~~
- ~~4. Structure (for example, foundations, framing systems, balconies and exterior stairs)~~
- ~~5. Heating, ventilation and air conditioning (HVAC) systems (for example, manufacturer and capacity)~~
- ~~6. Plumbing systems (for example, fixtures, piping materials used, supply system, waste system and vent system)~~
- ~~7. Electrical system (for example, capacity, fixtures, distribution system and emergency power)~~
- ~~8. Elevators (for example, cab, controls and equipment and inspection certifications)~~
- ~~9. Amenities (for example, pool, sports courts, playground)~~
- ~~10. Safety and warning devices (for example fire protection and security systems)~~
- ~~11. Water and seepage conditions~~
- ~~12. Septic/well systems~~
- ~~13. If the Property is located in an Elevated Seismic Hazard Region, as defined in Section 64SBL.2, the seismic risk factors found in Section 64SBL.2(c)~~



~~b. Dwelling units, commercial units and building interior (06/30/16)~~

~~A review of the interiors of the dwelling units, commercial units and all building common areas must include the inspection of at least the following:~~

- ~~1. Interior spaces (for example, cabinets, appliances, fixtures with finishes described, conditions noted and accessibility evaluated)~~
- ~~2. Common space (for example, lobbies, corridors, stairs, offices, laundry, garage, etc. with finishes described, conditions noted and accessibility evaluated)~~
- ~~3. Flooring materials and condition (for example, subfloor and finishes such as wood, carpet, vinyl or other mastic tiles)~~
- ~~4. Wallboard and ceiling coverings (for example, gypsum, paneling or other types of coverings for walls and acoustic panels, gypsum or other for ceilings)~~
- ~~5. Fixtures (for example, wiring devices and plumbing and electrical fixtures)~~
- ~~6. Windows (for example, hardware, treatments, screens and storm windows)~~
- ~~7. Doors (for example, hardware, locks and security devices)~~
- ~~8. Intercoms and other security and safety devices (for example, smoke detectors)~~
- ~~9. Kitchen appliances and cabinets/countertops~~
- ~~10. Bathroom fixtures and plumbing~~
- ~~11. Fireplaces~~
- ~~12. Washers/dryers and/or hookups~~
- ~~13. Fire/safety protection devices (for example, smoke detectors, alarms, sprinklers, fire extinguishers, security devices)~~

~~The consultant must inspect sufficient units to accurately evaluate the condition of each building and its systems and in no case may inspect fewer than three units.~~

~~In addition, the consultant must select the units to be inspected and ensure that all buildings and unit types are reviewed and that all of the following are inspected:~~

- ~~● 100 percent of all commercial units~~
- ~~● At least 10 percent of all residential units, to include:~~
 - ~~○ At least 50 percent of vacant units, and~~
 - ~~○ At least 50 percent of Down Units; if the conditions in the Down Units vary considerably, the consultant must inspect additional units to adequately identify the costs to make the Down Units rent ready~~



~~c. Problematic materials, equipment and systems (12/12/24)~~

~~As part of the inspection of the Property, the consultant must evaluate any potentially problematic materials, equipment or systems. Problematic building components include those that historically have performed poorly and those subject to recalls and/or class action lawsuits.~~

~~In particular, consultants should evaluate the following items:~~

~~1. Electrical capacity~~

- ~~● The minimum amperage acceptable to each unit is 60 amperes, except that 40 amperes is the minimum allowable service level acceptable without a load analysis, provided all of the following conditions are met:~~
 - ~~○ No washing machines or clothes dryers are located in the units~~
 - ~~○ No heating systems, stovetops, stovetop appliances, and water heaters are powered by electricity~~
 - ~~○ No air conditioning units of any type are used unless serviced by a separate dedicated circuit~~
 - ~~○ No atypical equipment with high electricity demands (e.g., whirlpool tubs, freezer units, etc.) is located in the units~~
 - ~~○ No units are over 750 square feet~~

~~If service levels less than the minimum allowable service levels (60 or 40 amperes, as applicable) are encountered or reported, the consultant must:~~

- ~~● Perform a load analysis for each unit type affected based on the most current NEC guidelines or review the results of a load analysis similarly prepared by a licensed electrician or electrical engineer~~
- ~~● Make corrective recommendations as appropriate~~

~~If the power supply is found to be inadequate, then the Borrower must take corrective measures before the Origination Date or correcting the inadequate power supply must be identified in the SBL Physical Risk Report as a Priority Repair. Regardless of the service level or the results of a load analysis, the Property must meet the minimum requirements of the National Electric Code and all local building codes.~~

~~2. Overload protection~~

~~Overload protection for all apartments must, at a minimum, be provided by circuit breakers or tamper proof (S-type) fuses. If S-type fuses are present, the consultant must determine the adequacy of the installation and associated components, and whether an upgrade to circuit breakers is warranted. Any overload protection devices that are not tamper proof must be replaced prior to the Origination Date.~~

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3. ~~Aluminum wiring~~

~~If aluminum wiring is present, all branch wiring terminations must have safe, code-compliant connections that are rated to accept aluminum wiring, or corrective, code-compliant repairs must be made before the Origination Date.~~

d. ~~Moisture or Mold issues (10/14/16)~~

~~The consultant must identify any Mold problems for all areas observed by completing the following tasks:~~

- ~~1. Search for visual or olfactory evidence of moisture or Mold issues in all areas required to be inspected as set forth in Sections 62SBL.5(a) and 62SBL.5(b)~~
- ~~2. Make inquiries of the Property owner, manager or other knowledgeable Property staff regarding past and current water intrusion, potentially damaging leaks or any known Mold issues~~
- ~~3. Make inquiries of the Property owner, manager or other knowledgeable Property staff about whether there have been any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks~~
- ~~4. Inspect areas where water intrusion or leaks were reported~~
- ~~5. Inspect all building components or areas most typically associated with water intrusion or potentially damaging leaks~~
- ~~6. Identify any defective building condition that would likely lead to future water intrusion or leaks~~

~~Other than minor Mold due to poor housekeeping, the consultant must identify the cause of any Mold problem.~~

~~If the SBL Physical Risk Report indicates that there are moisture or Mold issues, the sources of all identified water intrusion or potentially damaging leaks must be corrected and all Mold issues must be corrected in accordance with Environmental Protection Agency (EPA) guidelines for clean-up and remediation prior to the Origination Date. If the moisture or Mold issues are not corrected prior to the Origination Date, correction, clean-up and remediation must be identified in the SBL Physical Risk Report as a Priority Repair.~~

~~In addition, prior to the Origination Date, the Borrower must establish a Moisture Management Plan in accordance with the requirements set forth in Section 8SBL.3(a).~~

~~Any Property where Mold issues have been identified will be subject to~~

- ~~• The Increased Scrutiny for Moisture or Mold Issues requirements set forth in Section 8SBL.3(b)~~
- ~~• The Special Moisture or Mold Issues Inspection requirements set forth in Section 8SBL.3(c)~~



~~e. Wood-damaging insects (12/15/16)~~

~~During the inspection, the consultant must comment on observable evidence of wood-damaging insects (e.g., termites, powderpost beetles, carpenter ants, etc.) and/or deterioration due to wood-damaging insects in all areas required to be inspected in Sections 62SBL.5(a) and 62SBL.5(b). The consultant must also ask the Property owner, manager or other staff knowledgeable about the Property about past wood-damaging insect issues and current evidence of wood-damaging insects and/or wood-damaging insect deterioration, and inspect those areas.~~

~~Repair of any damage by wood-damaging insects must be identified in the SBL Physical Risk Report as a Priority Repair.~~

~~f. Environmental issues to be evaluated (02/16/23)~~

~~Each SBL Physical Risk Report must evaluate conditions and contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which include the following Scope Issues:~~

- ~~1. Hazardous materials~~
- ~~2. Storage tanks~~
- ~~3. Polychlorinated biphenyls (PCBs)~~
- ~~4. Prior use~~
- ~~5. Neighborhood hazardous waste activity~~

~~Each SBL Physical Risk Report must also include an evaluation of the following Non-Scope Issues:~~

- ~~1. Asbestos~~
- ~~2. Lead-based paint (LBP)~~
- ~~3. Drinking water quality~~
- ~~4. Superfund status~~

~~62SBL.6 Hazardous material (02/16/23)~~

~~The physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this risk. If any responses to the questionnaire are “unknown”, the consultant must explain why this data gap is not a problem or an environmental assessment must be conducted. If any responses to the questionnaire are “yes”, an environmental assessment must be conducted.~~

~~If an environmental assessment is warranted, refer to Sections 61.5(a) through 61.5(d).~~

**~~62SBL.7 Storage tanks (02/16/23)~~**

~~Based on a property inspection and input sought from knowledgeable property sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this risk. If any responses to the questionnaire are “unknown”, the consultant must explain why this data gap is not a problem or an environmental assessment must be conducted. If any responses to the questionnaire are “yes”, an environmental assessment must be conducted.~~

~~If an environmental assessment is warranted, refer to Sections 61.6(a) through 61.6(e).~~

~~62SBL.8 Polychlorinated biphenyls (PCBs) (02/16/23)~~

~~The physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this risk. If any responses to the questionnaire are “unknown”, the consultant must explain why this data gap is not a problem or an environmental assessment must be conducted. If any responses to the questionnaire are “yes”, an environmental assessment must be conducted.~~

~~If an environmental assessment is warranted, refer to Sections 61.7(a) through 61.7(e).~~

~~62SBL.9 Prior use/historical sources inquiry (02/16/23)~~

~~The consultant is to determine whether any past uses of the subject property indicate the potential for contamination to be present due to releases of hazardous materials or petroleum.~~

~~The physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this risk. If any responses to the questionnaire are “unknown”, the consultant must explain why this data gap is not a problem or an environmental assessment must be conducted. If any responses to the questionnaire are “yes”, an environmental assessment must be conducted.~~

~~If an environmental assessment is warranted, refer to Sections 61.8(a) through 61.8(c).~~

~~62SBL.10 Neighborhood hazardous waste activity (02/16/23)~~

~~Refer to Sections 61.9(a) through 61.9(b).~~

~~62SBL.11 Asbestos-containing materials (ACM) (02/16/23)~~**~~a. Refer to Section 61.10(a) and Sections 61.10(c) through 61.10(f) (02/16/23)~~**

~~Any reference to the environmental report in Section 61.10(a), and 61.10(c) through 61.10(f) is to be replaced by the SBL Physical Risk Report for these sections.~~

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

~~The physical risk consultant must identify all observed potential ACMs. Testing is not required. For any suspect ACM identified, the consultant must indicate:~~



- ~~If the material is friable or non-friable~~
- ~~If the material is encapsulated or not~~
- ~~If the material is damaged or not~~

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

~~c. Issue resolution by physical risk consultant (06/30/16)~~

~~As the date of construction is not a meaningful indicator relative to the presence of asbestos, the consultant must recommend an O&M program for all properties unless a comprehensive asbestos inventory was conducted and/or evidence is provided indicating that all ACMs were removed from the property and the documentation is satisfactory to the consultant.~~

~~If damaged suspect friable ACM is identified in the interior of the building, the consultant must specifically state:~~

- ~~Whether an ACM inventory is needed~~
- ~~Which materials must be removed and the cost of such removal~~
- ~~Which materials must be repaired and the cost of such repairs~~
- ~~Which materials must be covered by an O&M program and cost of the program development~~

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

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

~~Freddie Mac requires that the Borrower institute an O&M plan for any suspect ACMs identified by the consultant in accordance with EPA guidance, Managing Asbestos in Place: A Building Owner's Guide to Operations and Maintenance Programs for Asbestos-Containing Materials and as found on the EPA website:
<https://www.epa.gov/asbestos/information-owners-and-managers-buildings-contain-asbestos>.~~

~~The Borrower must remove all documented friable ACM. Damaged suspect friable materials identified by the consultant which are located in residential units or interior spaces accessible to tenants must either be removed or tested to confirm that the material is non-ACM. A qualified professional must analyze the samples utilizing polarized light microscopy and dispersion staining. The number and quantity of samples must be sufficient to provide meaningful results for the area tested.~~



~~Undamaged friable ACM may remain in place only if all of the conditions identified above, as well as the following conditions, exist:~~

- ~~• The concentration or amount of asbestos in the material must be less than 10 percent by weight~~
- ~~• The friable ACM must be in good condition as determined by the physical risk consultant~~
- ~~• The friable ACM must be sufficiently covered with paint or other material to help prevent the future release of asbestos into the air~~
- ~~• The Borrower must institute an O&M program developed by the physical risk consultant and acceptable to Freddie Mac~~

~~Undamaged non-friable ACM and undamaged, fully encapsulated wall and ceiling joint compound that is assumed to contain asbestos may remain in place, subject to an acceptable abbreviated O&M program as set forth in Section 61.10(f).~~

~~Under most circumstances, before the Origination Date, the Borrower must remove all ACM that is required to be removed. Freddie Mac will consider agreeing to removal of the ACM after the Origination Date only under certain circumstances, such as if the extent or location of the ACM in the building does not present a Life Safety Hazard or if a qualified ACM abatement/removal firm is not immediately available to remove the ACM.~~

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

- ~~1. A binding, fixed-fee ACM removal contract from a qualified ACM abatement/removal firm that provides for the firm to remove the ACM within 90 days after the Origination Date (or within a time frame agreeable to Freddie Mac), in strict accordance with prudent industry standard practices and all federal, State and local requirements governing the removal, transport and disposition of ACM~~
- ~~2. Removal of the ACM must be identified in the SBL Physical Risk Report as a PR-90 Repair~~
- ~~3. Before funds are released to the Borrower from any applicable Reserve, proper evidence provided by the Borrower to the Seller/Servicer that the ACM removal was performed by properly trained individuals in accordance with prudent industry standard practices and complied with all federal, State and local requirements governing the removal, transport and disposition of ACM~~

~~62SBL.12 Lead-based paint (02/16/23)~~

~~Refer to Sections 61.11(a) through 61.11(f).~~

~~62SBL.13 Drinking water quality (02/16/23)~~

~~The physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this risk. If any responses to the~~

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~~questionnaire are “unknown”, the consultant must explain why this data gap is not a problem or an environmental assessment must be conducted. If any responses to the questionnaire are “yes”, then an environmental assessment must be conducted.~~

~~If an environmental assessment is warranted, refer to Sections 61.12(a) through 61.12(e).~~

~~62SBL.14 Radon (06/30/16)~~

~~SBL Properties are not required to be tested for the presence of radon.~~

~~62SBL.15 Superlien status (06/30/16)~~

~~Refer to Section 61.15.~~

~~62SBL.16 Acceptability of the SBL Physical Risk Report (02/16/23)~~

~~The SBL Physical Risk Report and the condition of the Property must be acceptable to Freddie Mac. The SBL Physical Risk Report must specify an appropriate solution for each deficiency identified. The consultant must identify the scope and estimated cost for all Critical Repairs and Priority Repairs and all potential environmental concerns. Upon Freddie Mac's review of the completed SBL Physical Risk Report, Freddie Mac may impose additional requirements.~~

~~62SBL.17 Physical risk consultant qualifications and requirements (06/23/26)~~

~~Consultants who conduct the on-site inspections and complete the SBL Physical Risk Reports must meet the qualifications and requirements specified in this section.~~

~~Because Freddie Mac does not approve physical risk consultants, the Seller/Servicer must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare SBL Physical Risk Reports. The Seller/Servicer is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.~~

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

~~Consultants' qualifications may vary with the needs of the specific assignment: general inspection services or specific technical analysis may be required. The consultant must be able to analyze building systems, site conditions, and environmental issues professionally, identify deficiencies and recommend remedial responses with cost estimates.~~

~~b. References and experience (02/16/23)~~

~~A consultant performing inspections and preparing SBL Physical Risk Reports must have all of the following qualifications:~~

- ~~● A bachelor's or graduate degree in architecture or a related engineering field from an accredited institution~~
- ~~● Five or more years of experience in one or more of the following disciplines: architecture, engineering (structural, mechanical or civil) and/or construction/cost~~



estimating

- Three or more years of experience performing multifamily property inspections
- Two or more years of experience conducting similar work for financial institutions

Personnel directly involved with analyzing the environmental information and data for the SBL Physical Risk Report must also have expertise in at least the following relevant areas:

1. Soil and/or ground water contamination
2. Soil and/or ground water sampling
3. Asbestos identification and abatement
4. PCB contamination
5. UST identification, abandonment and removal supervision
6. LBP identification and abatement design and supervision
7. Familiarity with applicable federal, State and local environmental and public health laws and regulations
8. Development of O&M programs

For LBP and asbestos work, some States and municipalities require a license or certificate. The environmental consulting firm must have a sufficient number of properly licensed or certified employees to complete the project.

Additional training must include a 24-hour asbestos inspection course and an annual refresher course that, at a minimum, meets the EPA Guidelines for Asbestos Model Accreditation Plan Annual Refresher Training. Subsurface soil service providers must also complete the 40-hour Health and Safety Training for Hazardous Waste Operations course, with annual 8-hour refresher courses.

The Seller/Service must check at least three client references from the consultant's previous lenders to determine whether the projects were

- Similar in scope and purpose to the Property
- Completed on time
- Of sufficient quality

The Seller/Service must review the consultant's licensing and other certifications (in States where they are applicable), as well as listings of affiliations or memberships in professional organizations. The Seller/Service must also maintain in its file for review by Freddie Mac a current resume for the consultant, a current insurance certificate and the required references.



Freddie Mac will not accept an SBL Physical Risk Report from an individual or firm that has been excluded from EPA-assisted programs. The Seller/Servicer must check the federal exclusion record at <https://sam.gov/content/exclusions> for the names of individuals and firms that are excluded by Federal government agencies from receiving

- Federal contracts
- Federally approved subcontracts
- Certain types of financial and non-financial assistance and benefits

c. Conflicts of interest/provision of related services (06/30/16)

The consultant may not be affiliated with the Borrower, the Seller/Servicer, a buyer or seller of the proposed Property, or engaged in any business that might present a conflict of interest. The consultant may not be engaged to perform any repair or remedial work specified in the SBL Physical Risk Report.

d. Insurance (06/23/26)

1. The consultant must provide to the Seller/Servicer an original certificate(s) of insurance that indicates that the consultant is, at its own expense, covered by insurance adequate to the work to be performed, using, as a basis, the standards for coverage outlined in Section 11.5.

The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

2. Recommended insurance standards for use when evaluating adequacy of insurance coverage for third-party consultants, including environmental consultants, physical risk consultants, seismic risk consultants, and appraisers:

- Commercial General Liability (CGL) insurance with limits of at least \$1 million per occurrence and \$2 million aggregate with a maximum deductible amount of \$35,000
- Professional Liability insurance with limits of \$1 million per claim and \$2 million aggregate with a maximum deductible amount of \$100,000

Policies to be issued by an insurance carrier rated either Standard & Poor's Insurer Solvency Review "BBB" or better, or AM Best Financial Strength Rating of A- or better.

Consultants should also have appropriate insurance coverage in place while traveling to and from and conducting work at the Property. The following guidelines for the types and levels of insurance coverage, should be considered:

- Worker's Compensation insurance as required by law
- Automobile liability insurance for all owned (if any), non-owned and hired vehicles of \$1 million per accident



e. ~~Unacceptable consultants (06/30/16)~~

~~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 a consultant who has completed SBL Physical Risk Reports within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac.~~

~~In addition, Freddie Mac reserves the right to refuse to accept SBL Physical Risk Reports completed by any specific consultant. Freddie Mac will maintain, at mf.freddiemac.com, the Multifamily Restricted Vendor List. If a physical risk consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to inspect a Property 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 physical risk consultants do not prepare reports for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.~~

~~62SBL.18 Mortgage Servicing for SBL Mortgages (10/14/16)~~

~~Using either the Freddie Mac Annual Inspection Form (AIF) (for pre-securitized loans) or the MBA Inspection Form (for securitized loans), as applicable, the Seller/Servicer must confirm at the first annual inspection whether the items identified as Priority Repairs or PR-90 Repairs on [Form 1104, SBL Physical Risk Report](#), have been completed by the Borrower. All incomplete Priority Repair or PR-90 Repair items must be noted in the applicable inspection form. See Chapter 40 for additional information on submitting the AIF or the MBA Inspection Form.~~

~~In addition, when submitting the applicable inspection form, the Seller/Servicer must confirm that the Borrower is maintaining the Property according to any applicable O&M program, environmental law or regulation. The Seller/Servicer is not expected to obtain an environmental report along with the assessment inspection. However, the Seller/Servicer must make an on-site inspection prior to advising Freddie Mac of the property condition and the environmental status of the Property. The Seller/Servicer must inspect the buildings and grounds and review the activities of the Borrower, tenants, sublessors, their agents and any other third parties. These confirmations must specifically address the continuing effectiveness and adequacy of all current remedial and maintenance actions.~~

~~In addition, the Seller/Servicer must complete the applicable inspection form immediately following the occurrence of any event that might reasonably be expected to impact the physical or environmental condition of the Property or the adequacy of prescribed remedial or maintenance actions. Such events would include fire, flood, building construction or rehabilitation, spills or leaks of hazardous wastes or materials, unusual or intense use of property facilities, or significant changes in custodial or management personnel.~~

~~The Borrower must comply fully with all applicable building and environmental laws and report any violations of such laws to the Seller/Servicer and the appropriate federal, State or local authority.~~



~~The Seller/Servicer must require that the Borrower take all necessary actions to ensure that all violations are promptly corrected and that the Property is brought back to and maintained in full compliance with all appropriate environmental statutes and good management practices.~~

~~62SBL.19 Representations and warranties (09/28/18)~~

~~The Seller/Servicer is deemed to make the warranties regarding the SBL Physical Risk Report and the physical risk consultant set forth in Section 5.4.~~

Multifamily Seller/Service Guide

Chapter 64

Seismic Risk Assessment Requirements



Seismic Risk Assessment Requirements	
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64.1 General requirements (~~12/15/22~~08/25/26)

~~Seismic Risk Assessment (SRA) requirements for SBL Mortgages are found in Chapter 64 SBL.~~

This chapter sets forth the requirements, duties and responsibilities of the Seller/Servicer and the seismic risk consultant to evaluate seismic risk at the Property. For the purposes of this chapter, the seismic risk consultant will be referred to as the “Consultant”¹ and “Elevated Seismic Hazard Region” is as defined in Section 64.2(a).

References in this chapter to ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a will include any successor ASTM Standard. A Level 1 seismic investigation (Level.1 SRA) as referenced in this chapter, is defined per Sections 4 and 5 of the ASTM Standard Guide E2026-16a. A Level 0 seismic investigation (Level.0 SRA) as referenced in this chapter, is defined per Section 4 and 5 of the ASTM Standard Guide E2026-16a.

If the Property is located in an Elevated Seismic Hazard Region, an SRA is required; the presence or absence of the seismic risk factors specified in Section 64.2(c) will determine whether a Level 0 or a Level 1 SRA is needed.

If a Level 1 SRA is required, then the Consultant must complete and submit [Form 1102, Seismic Risk Assessment Summary](#), with each SRA.

The seismic risk factors in Section 64.2(c) are also included in Section I of [Form 1105, Property Condition Assessment](#). The property condition consultant is required to evaluate these seismic risk factors when preparing the property condition report, as described in Section 62.4.

For the purposes of this chapter, the term Scenario Expected Loss-475 (SEL-475) is used instead of the older term Probable Maximum Loss (PML). The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. See Section 64.8 for additional information regarding the determination of the SEL-475.

64.2 Determining whether an SRA is required (12/15/22)

64.2(a) Use of the Elevated Seismic Hazard Region Map (09/25/15)	64.2(c) Seismic risk factors for Properties located in an Elevated Seismic Hazard Region (12/15/22)
64.2(b) Determining whether a Property is located in an Elevated Seismic Hazard Region (12/15/22)	

a. Use of the Elevated Seismic Hazard Region Map (09/25/15)

The Elevated Seismic Hazard Regions are highlighted on the [Elevated Seismic Hazard Region Map](#). After examining the map, if the Seller/Servicer conclusively determines that the Property is not located in an Elevated Seismic Hazard Region no seismic risk documentation is required.

If the Seller/Servicer determines that the Property is located in an Elevated Seismic Hazard Region highlighted on the map, or if the Seller/Servicer is not sure whether the Property is located in an Elevated Seismic Hazard Region highlighted on the map, the Seller/Servicer

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must make its determination as to whether the Property is located in an Elevated Seismic Hazard Region following the procedure set forth in Section 64.2(b).

b. Determining whether a Property is located in an Elevated Seismic Hazard Region (12/15/22)

An “Elevated Seismic Hazard Region” is defined as a geographic location with a horizontal Peak Ground Acceleration (PGA) equal to or greater than 0.15g. For Properties located in the continental United States, the PGA must be calculated using the [United States Geological Survey \(USGS\) website](https://www.usgs.gov/centers/national-earthquake-hazard-reduction).

For any Property located in Hawaii, Alaska (limited to within 100 miles of the city of Anchorage or the Gulf of Alaska), or one of the U.S. territories, the Seller/Service must assume that the PGA is greater than 0.15g, and an SRA is required. For areas of Alaska outside the delineated area, the Seller/Service can assume a PGA of less than 0.15g, and therefore an SRA is not required.

For areas that require a PGA calculation, the Seller/Service must enter or select the input values into the tool found on the USGS website as identified in the table below. An example of the use of the tool, using the address of the Freddie Mac Los Angeles office at 444 South Flower Street, can be found at mf.freddiemac.com/lenders/uw. The example includes instructions on saving the data in PDF format for submission to Freddie Mac.

Data Element	Input
Edition	Dynamic: Conterminous U.S. 2014 (latest release), Alaska, Hawaii
Spectral Period	Peak Ground Acceleration (PGA)
Location	Generate the latitude/longitude using the “choose location using a map” feature to enter an address
Time Horizon/Earthquake Return Period	10% in 50 years (475 years)
Site Class*	259 m/s (site class D) for properties located in CA, NV, OR, WA 760 m/s (B/C boundary) for all other locations

*** The site class must be adjusted as indicated in the table above, unless the Consultant justifies an alternate soil classification value and provides documentation.**

If the PGA is less than 0.15g, an SRA is not required.

If the PGA is equal to or greater than 0.15g, then the Property is located in an Elevated Seismic Risk Region and an SRA is required. The Seller/Service must

- Obtain an SRA meeting the requirements of this Chapter 64 (see Section 64.2(c) to determine whether a Level 0 or Level 1 SRA is required)



- Upload the PDF obtained as output from the USGS website into DMS and submit the SRA and the PDF to Freddie Mac in the applicable underwriting package as the required seismic risk documentation
- Evaluate the Property for the seismic risk factors listed in Section 64.2(c)

c. Seismic risk factors for Properties located in an Elevated Seismic Hazard Region (12/15/22)

This section does not apply to a Mortgage secured by an MHC Property. See Section 22.7(a) for seismic risk factors that the Seller/Service must evaluate for Manufactured Housing Communities.

If the Property is located in an Elevated Seismic Hazard Region, the Seller/Service must evaluate the Property for the following seismic risk factors:

1. A building located within 50 feet of a mapped earthquake fault trace or located within an Alquist-Priolo Earthquake Fault Zone (APEFZ) in California, as defined by the Alquist-Priolo Earthquake Fault Zoning Act of 1972.

For Properties located in an APEFZ in California, the Seller/Service and Consultant must provide evidence of whether surface fault rupture may damage the building(s) on the site through a prior engineering geology fault rupture hazard study. If a prior study was not completed, a desktop engineering geology fault rupture hazard study (no subsurface investigation required) must be prepared by a qualified, licensed engineering geologist or geotechnical engineer.

2. All of the following building construction types:
 - a. Buildings with a weak or soft story (as defined by the International Building Code) at any floor level
 - b. Buildings constructed with direct contact to adjacent buildings, including adjacent buildings that are part of the same Property, as well as those in contact with buildings on a separate property (this does not include buildings that are a continuous structure with fire separation walls)
 - c. Buildings that have sustained previous structural earthquake damage with documented evidence of damage and repairs
 - d. High-rise buildings (8-stories or greater above grade)
3. Reinforced concrete buildings constructed prior to 2000, including cast-in-place and precast structures
4. Reinforced concrete masonry (CMU) bearing wall buildings constructed prior to 2000
5. Retrofitted, unreinforced masonry (URM) buildings
6. Non-retrofitted URM buildings (SRA report shall provide discussion of typical retrofit schemes and budget estimates for consideration)



7. Wood-framed buildings:

- a. Buildings that exhibit conspicuous physical deterioration (e.g., water damage, dry rot, corrosion, physical distress) to the primary lateral load resisting elements (e.g., shear walls, roof and floor construction, sill plates, foundation elements and anchorage, structural steel frames, concrete walls and frames)
 - b. Buildings constructed prior to 1960
 - c. Buildings constructed prior to 2000, with ground-level parking under dwelling units (referred to as “tuck-under parking”), or commercial retail units under dwelling units, regardless of retrofit
8. Buildings with wood-frame construction over a concrete podium structure constructed prior to 2000

If none of the seismic risk factors listed above are present at the Property, a Level 0 SRA is required. If any one of the above seismic risk factors is present at the Property, or if the Seller/Service cannot conclusively determine that none of the seismic risk factors are present at the Property, a Level 1 SRA is required.

64.3 Specific Seller/Service duties and responsibilities (06/29/17)

This section does not apply to a Mortgage secured by an MHC Property. See Section 22.7(b) for the Seller/Service duties and responsibilities for Manufactured Housing Communities.

The Seller/Service's responsibilities are to

- Retain and direct the Consultant when a Level 1 SRA is required

The Seller/Service must review and verify the Consultant's credentials, licensing, certifications, memberships and affiliations. For new Consultants, the Seller must check at least three references from lenders who have retained or employed the Consultant to sufficiently evaluate the Consultant's capabilities and performance. The Seller must maintain a separate seismic risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each Consultant's performance, as well as the Consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the Consultant, but the Borrower may be responsible for paying the costs of all SRA services.

- Provide information identified in Section 64.6 to the Consultant
- Obtain a Level 0 or Level 1 SRA for the Property, when required, and review the SRA to
 - Ensure that it complies with Freddie Mac's requirements
 - Verify that conclusive recommendations are provided for all identified issues



- Disclose to Freddie Mac any seismic risks identified in the SRA as well as any insurance required by Section 64.14

64.4 Level 0 SRA requirements (12/15/22)

The Level 0 SRA must:

- Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac
- Clearly state any limiting conditions and the intended purpose of the report
- Be conducted in accordance with the ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide
- Use an industry accepted loss estimation methodology that is peer-reviewable
- Include reporting of the damage ratio with an exceedance probability corresponding to a 475-year return period earthquake

64.5 Level 1 SRA requirements (12/15/22)

The Level 1 SRA must:

- Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac
- Clearly state any limiting conditions and the intended purpose of the report
- Identify any Assessor qualification deviations from the Guide requirements, ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a
- Be conducted in accordance with the ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide
- Use an industry accepted loss estimation methodology that is peer reviewable
- Include reporting of the damage ratio with an exceedance probability corresponding to a 475-year return period earthquake

Freddie Mac may require that the Level 1 SRA be updated if it is dated more than six months prior to the issuance date for the Letter of Commitment or Acceptance Letter or Modification Letter, as applicable, for an early rate-lock application.

The Consultant who prepares the Level 1 SRA must meet the qualifications and requirements stated in Section 64.12. The Consultant must review pertinent information and records in accordance with Section 64.6. Each Level 1 SRA must include information disclosed by an inspection of the Property's structural components.



At initial submission of the full underwriting package to Freddie Mac, the site inspection supporting the Level 1 SRA must be dated within 30 days prior to the date of the Level 1 SRA. This inspection and the report documentation must meet the requirements of Sections 64.7 through 64.9. In addition, the Consultant must complete [Form 1102, Seismic Risk Assessment Summary](#), as described in Section 64.11 and include the form as part of the seismic risk documentation submitted in the underwriting package.

The Seller/Servicer must direct the Consultant to include the following language in the Level 1 SRA:

“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.”



64.6 Data collection and records inquiry for the Level 1 SRA (09/30/13)

The Consultant must review all available information that would reveal the characteristics and current condition of the site and structural systems at the Property, including any seismic damage assessments. The Consultant should review such documents for informational purposes only and is not required to comment on their procedures, protocol, conclusions, or recommendations unless in conflict with the Consultant's findings. The Consultant should only utilize such information in formulating recommendations or conclusions if such documents appear reasonably accurate. The Seller/Service must ensure that all such information is provided to the Consultant before the Consultant inspects the Property.

The Level 1 SRA must identify the information the Consultant reviewed and the contacts that were consulted.

At a minimum the following must be reviewed (as applicable) and incorporated into the SRA report:

- **As-Built Construction Documents** – Review of as-built documentation may be limited to structural information such as the type of framing material, strength of concrete or steel, type of column-to-beam connections, composition of shear walls, quantity of reinforcing bars, symmetry of building configuration, transference of loads to the substructure, nature of the substructure, and nature of the soils.
- **Documents for Planned Construction** – Review of documentation for planned construction at the Property, such as seismic retrofit or renovation work, that will likely affect the performance and damageability of the Property during a seismic event.
- **Soils Reports** – Review of available geotechnical information and comment on the soil type, geotechnical features and the potential for soil liquefaction, ground fault rupture, and landslides.
- **Building Information** – Identification of the building type and any federal, State or local law, ordinance or code under which it was designed.
- **Active Earthquake Faults** – Identification of any active faults in the region that may affect the Property, and report on their maximum credible magnitude potential.
- **Secondary Earthquake Hazards** – Identification of secondary, site-specific hazards such as soil liquefaction, earthquake-induced landslides, and tsunamis or seiches.

64.7 Inspection requirements for the Level 1 SRA (12/15/22)

The Consultant must perform a complete inspection of the exterior and interior of the Property's components and systems that are visible and accessible. This is generally a non-intrusive survey, but the Consultant must make a reasonable attempt at discovery. This inspection must document the building characteristics, any substantive inconsistencies between the field conditions and as-built documents, and any deficiencies in the structural systems. The Consultant must also document the sufficiency of non-structural elements including natural gas seismic shut-off valves, bracing and anchorage of secondary building systems, such as mechanical equipment and ceilings. The Consultant must provide photographic documentation that characterizes the



Property's overall construction and configuration and that identifies specific vulnerabilities or signs of physical distress.

64.8 Seismic loss estimation requirements for the Level 1 SRA (12/15/22)

Based on the records submitted, site observations, and empirical data available through peer-reviewable data systems, the Consultant must render an opinion, in conformance with the ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a, of both the Scenario Expected Loss (SEL) and Scenario Upper Loss (SUL) as a percentage of the current building replacement cost. The SEL and SUL must be determined using the earthquake with a 10 percent probability of exceedance in 50 years (a.k.a. 475-year return period earthquake). The SEL and SUL based on the 10 percent probability of exceedance in 50 years (475-year return period earthquake) will be referred to as the SEL-475 and SUL-475 within this Guide. The Consultant must include, as applicable, a general description of the anticipated damage to the structure and its expected life safety and building stability performance as a result of these scenario losses. The Consultant's method for calculating seismic loss estimates must be peer-reviewable, with all input, engineering assumptions and output documented in the report for third-party review.

For Properties where multiple building construction types are present (for example: buildings with tuck-under parking vs. buildings without tuck-under parking; garden-style buildings vs. high-rise buildings; linear buildings vs. L-shaped buildings), the Consultant must provide the SEL-475 and SUL-475 for each building construction type.

For additional information on evaluating the SEL-475 to determine the need for earthquake insurance or a seismic retrofit, see Section 64.14.

64.9 Report content for the Level 1 SRA (12/15/16)

The Consultant must include the findings from the Consultant's records review, site observations, and interpretation of data in a written report containing the following elements:

- **Cover Page** – must include the Property's name and address, report date, the client's name, address, and phone number, and the Consultant's name, address and phone number.
- **Certification Memo** – must include the Property's name and location, report date, reliance language, confirmation that the report meets ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide, identification of the field and office personnel responsible for the report, and the signature of the reviewer. Any deviations from the ASTM Standard Guide E2026-16a must be identified in the Certification Memo.
- **Executive Summary** – must include the following:
 - All salient information about the buildings at the Property, such as their location, use, size, age, construction type, and design style.
 - Summary of the findings of the analysis including a description of the general condition of the Property.
 - Specific areas of concern.



- The SEL-475 and SUL-475 as a percentage damage ratio, and the peak ground acceleration motions and the approximate Modified Mercalli scale intensity at the site.
- Recommendations for further action or investigation as appropriate. If the Property is not expected to meet life safety and building stability performance standards as a result of the scenario losses considered, then the Consultant must include conceptual retrofit techniques that would achieve these performance levels.
- **Purpose & Scope** – must state the purpose of the engagement, including an outline of the scope of work, the methods used to conduct the survey, a statement describing any limitations or exceptions to the scope of work, and reasons for any deletions or additions to the scope of work.
- **Survey Approach** – must provide a short description of the methodology used to conduct the survey and arrive at the conclusions. Include the specific method used to arrive at the SEL-475 and SUL-475, the sources of the empirical data and proprietary systems, the level of documentation reviewed, the procedures used during the site observations, and the methods used to determine the building stability.
- **Site Characteristics** – must list and discuss the following:
 - Property location
 - Site and vicinity characteristics
 - Current use of the Property
 - Soil data source (e.g., geotechnical report, regional online data)
 - Soil type (engineering classification)
 - Liquefaction potential (classified Very Low, Low, Moderate, High, Very High)
 - Landslide potential (classified Very Low, Low, Moderate, High, Very High)
 - Ground fault rupture potential
 - Site map with aerial imagery, where available
- **Building Characterization** – must list and discuss the following:
 - Construction classification (e.g., wood-framed, concrete, steel, masonry)
 - Number of stories
 - Year designed
 - Year constructed
 - Year renovated/upgraded



- Structural irregularities
- Geometric irregularities
- Mass irregularities
- Structural system redundancy
- Overall construction quality
- **Site Observations** – must list and discuss property specific issues observed during the inspection. This must include a detailed appendix, as described below
- **Seismic Characteristics of Area** – must list and discuss the following:
 - Most potentially damaging faults in the area of the Property (within a 50-mile radius)
 - Maximum theoretical magnitude of an earthquake at that fault
 - Approximate distance from the most potentially damaging fault
 - Anticipated 475-year ground motion at the Property
- **Building Stability** – must be evaluated in accordance with ASTM Standard Guide E2026-16a, using the earthquake ground motion prescribed in the current edition of the International Building Code or other nationally applicable building code. Any stability concerns must be highlighted in [Form 1102](#). Use of the 475-year ground motion used to calculate the SEL-475 is not appropriate for the building stability determination.
- **Site Seismicity and Scenario Loss** – must state the Consultant's opinion in accordance with ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a of the SEL-475 and the SUL-475 as a percentage of the current building replacement cost as a result of this analysis.
- **Appendices** – must include the following, at a minimum:
 - Qualifications - Professional resumes for all participating qualified professionals, including the Field Assessor, Report Author, and Senior Assessor as applicable
 - Photographs - Photos specific to the seismic assessment that document the Property's structural systems and identify seismic vulnerabilities and disrepair that relate to the calculation of the seismic loss estimates
 - Site Plan - must clearly label the Property, each building, and the location of specific seismic vulnerabilities as identified in the report
- **[Form 1102, Seismic Risk Assessment Summary](#)** – must be completed in its entirety



64.10 Acceptability of the Level 1 SRA (04/30/13)

The Level 1 SRA must be acceptable to Freddie Mac. Upon Freddie Mac's review of the completed SRA, Freddie Mac may impose additional requirements.

64.11 Form 1102, Seismic Risk Assessment Summary for a Level 1 SRA (12/15/22)

The Consultant must complete and sign [Form 1102](#). Below is a description of each section:

- **PGA Determination** – provide the PGA as determined using the formula found in Section 64.2(b)
- **Deviations to the Field Assessor's Qualifications** – if the Senior Assessor has determined that a Field Assessor who does not meet the minimum qualifications in Section 64.12(a) is acceptable, the Senior Assessor will provide a justification, subject to approval by Freddie Mac
- **Building Stability** – summarize the details regarding any building stability concerns, along with any recommendations as applicable (e.g., further engineering review, retrofit recommendations)
- **SEL-475** – for Properties with a single construction type, provide a single SEL-475. For Properties in which multiple building types are present, provide a building address/identification, brief description of each building type and its corresponding SEL-475, and, when prompted, identify if the building type in question has stability concerns

64.12 Level 1 SRA Consultant qualifications and requirements (12/15/16)

64.12(a) References and experience (12/15/16)	64.12(c) Insurance (06/30/16)
64.12(b) Conflicts of interest/provision of related services (04/30/13)	64.12(d) Unacceptable Consultants (04/30/13)

Consultants who conduct the on-site inspections and complete the Level 1 SRA reports must meet the qualifications and requirements specified in this section.

Because Freddie Mac does not approve Consultants, the Seller/Servicer must not consider any representation that a Consultant is approved or qualified by Freddie Mac to perform Level 1 SRAs. The Seller/Servicer is responsible for selecting the Consultant and is solely accountable for the Consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.

a. [References and experience \(12/15/16\)](#)

The consulting company providing Level 1 SRA reports must meet the following minimum requirements:

- A staff of qualified professionals



- The ability to rapidly assess sites in all Elevated Seismic Hazard Regions of the United States
- A significant track record completing seismic reports for commercial real estate investors
- Experience working within the commercial mortgage securitization markets and rating agencies
- A well-developed production infrastructure and documented quality control procedures

The Consultant responsible for conducting the on-site inspection must meet the qualifications of either a Field Assessor or Senior Assessor, as defined in the ASTM Standard Guide E2026-16a Section 6.2.3, and as noted below.

The minimum qualifications for the Senior Assessor are:

- Licensed to practice civil or structural engineering
- 10 years of experience of general structural engineering of buildings
- Five years of experience of seismic design and analysis experience of buildings
- Three years of experience of seismic risk assessment of buildings

The minimum qualifications for a Field Assessor are:

- Licensed to practice civil or structural engineering
- Five years of experience of general structural engineering of buildings
- Three years of experience of seismic design and analysis experience of buildings
- Two years of experience of seismic risk assessment of buildings

In accordance with ASTM Standard Guide E2026-16a Section 6.2.3.4 the Senior Assessor will be responsible for determining the acceptable level of qualifications for the assessment and will be accountable for all elements of the Level 1 SRA. Pursuant to this Section, the Senior Assessor may determine that a Field Assessor who does not meet the minimum qualifications is acceptable. Freddie Mac will consider approval of a deviation of the Field Assessor qualifications under the following scenarios:

- Original construction and/or seismic retrofit structural drawings are provided for review by the Field Assessor and/or Senior Assessor prior to the assessment, or
- The building(s) were designed and constructed in accordance with a Benchmark Building Code, or subsequent edition, as defined by American Society of Civil Engineers (ASCE) national standard ASCE 41-13, Chapter 4, Table 4-6, or
- The buildings on the Property are determined by the Senior Assessor to have sufficiently simple configuration and no irregularities (such as tuck-under parking) that would



promote undesirable seismic behavior that may result in structural instability or elevated building damageability.

The Senior Assessor must provide clear and concise justification for any deviations from the Field Assessor qualifications in [Form 1102](#) and in the Certification Memo of the Level 1 SRA per Section 64.9.

A Level 1 SRA must be written by a Consultant that meets the qualifications of a Field Assessor or Senior Assessor and must be reviewed and signed by a Consultant meeting the qualifications of a Senior Assessor. The qualifications of all professionals must be attached to the report and are subject to review by the Seller/Servicer and Freddie Mac.

All Consultants with a professional engineering designation must have a valid and current license issued by one of the following States: Alaska, California, Washington, Oregon, Nevada, Utah, Hawaii, and Tennessee.

See Section 64.3 for specific Seller/Servicer duties and responsibilities for retaining and directing a Consultant when a Level 1 SRA is required.

b. Conflicts of interest/provision of related services (04/30/13)

The Consultant may not be affiliated with the Borrower, the Seller/Servicer, a buyer or seller of the Property, or engaged in any business that might present a conflict of interest.

c. Insurance (06/30/16)

The Seller/Servicer must obtain from each Consultant an original certificate(s) of liability insurance that indicates that the Consultant is covered by insurance meeting the requirements of Section 11.5. The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

d. Unacceptable Consultants (04/30/13)

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* or to the *Multifamily TAH Underwriter*, as applicable, if the Seller/Servicer, for cause, discontinues the use of a Consultant who has completed Level 1 SRAs within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac.

In addition, Freddie Mac reserves the right to refuse to accept Level 1 SRAs completed by any Consultant. Freddie Mac will maintain, at mf.freddiemac.com, the [Multifamily Restricted Vendor List](#). If a Consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Consultant to complete a Level 1 SRA for a Property 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 Consultants do not prepare reports for Freddie Mac and will constitute "Confidential Information" as defined in Section 2.8.



64.13 Representations and warranties (09/28/18)

The Seller/Service is deemed to make the representations and warranties regarding the Consultant and Level 1 SRA set forth in Section 5.4.

64.14 Evaluation of the SRA results (09/30/20)

Retrofit and seismic insurance requirements are based on the results from the SRA. The following table summarizes the requirements based on the report findings:

SEL-475	Building Stability Concern	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% and ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

If the Property will undergo seismic retrofit, the retrofit will be a Priority Repair. The Borrower must establish a Repair Reserve of at least 125 percent of the estimated cost to make the required modifications, and the retrofit must be completed within 12 months after the Origination Date.

See Section 31.9(b)(3)(b) for information on requesting Freddie Mac approval to discontinue earthquake coverage after the Property undergoes seismic retrofit.

See Section 64.8 for detailed information on determining the SEL-475 to document in the SRA.

Multifamily Seller/Service Guide

Chapter 64SBL

SBL Seismic Risk Assessment Requirements



Chapter 64SBL is deleted. Refer to Chapter 64 for seismic risk assessment requirements.

~~64SBL.1 General requirements (12/15/22)~~

~~This chapter sets forth the requirements, duties and responsibilities of the Seller/Service and the seismic risk consultant to evaluate seismic risk at the Property for Mortgages purchased under the SBL Purchase Product. For the purposes of this chapter, the seismic risk consultant will be referred to as the “Consultant”, and “Elevated Seismic Hazard Region” is as defined in Section 64SBL.2(a).~~

~~References in this chapter to ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a will include any successor ASTM Standard. A Level 1 seismic investigation (Level 1 SRA) as referenced in this chapter, is defined per Sections 4 and 5 of the ASTM Standard Guide E2026-16a.~~

~~A Level 1 SRA is required for a Property that is located in an Elevated Seismic Hazard Region, as defined in Section 64SBL.2(a), and that exhibits any of the seismic risk factors identified in Section 64SBL.2(c).~~

~~If a Level 1 SRA is required, then the Consultant must complete and submit Form 1102, Seismic Risk Assessment Summary, with each SRA.~~

~~The seismic risk factors in Section 64SBL.2(c) are also included in Section III of Form 1104, SBL Physical Risk Report. The physical risk consultant is required to evaluate these seismic risk factors when preparing the SBL Physical Risk Report, as described in Section 62SBL.4.~~

~~If the Property is not located in an Elevated Seismic Hazard Region, an SRA is not required. If the Property is located in an Elevated Seismic Hazard Region, and it is determined that the seismic risk factors in Section 64SBL.2(c) are not present at the Property, an SRA is not required.~~

~~For the purposes of this chapter, the term Scenario Expected Loss 475 (SEL 475) is used instead of the older term Probable Maximum Loss (PML). The SEL 475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. See Section 64SBL.8 for additional information regarding the determination of the SEL 475.~~

~~64SBL.2 Determining whether a Level 1 SRA is required (12/15/22)~~

~~a. Use of the Elevated Seismic Hazard Region Map (06/30/16)~~

~~The Elevated Seismic Hazard Regions are highlighted on the Elevated Seismic Hazard Region Map. After examining the map, if the Seller/Service conclusively determines that the Property is not located in an Elevated Seismic Hazard Region no seismic risk documentation is required.~~

If the Seller/Service determines that the Property is located in an Elevated Seismic Hazard Region highlighted on the map, or if the Seller/Service is not sure whether the Property is located in an Elevated Seismic Hazard Region highlighted on the map, the Seller/Service must make its determination as to whether the Property is located in an Elevated Seismic Hazard Region following the procedure set forth in Section 64SBL.2(b).

b. Determining whether a Property is located in an Elevated Seismic Hazard Region (12/15/22)

An “Elevated Seismic Hazard Region” is defined as a geographic location with a horizontal Peak Ground Acceleration (PGA) equal to or greater than 0.15g. For Properties located in the continental United States, the PGA must be calculated using the United States Geological Survey (USGS) website.

For any Property located in Hawaii, Alaska (limited to within 100 miles of the city of Anchorage or the Gulf of Alaska), or one of the U.S. territories, the Seller/Service must assume that the PGA is greater than 0.15g, and an SRA is required, pursuant to the presence of the risk factors noted in Section 64SBL.2(c). For areas of Alaska outside the delineated area, the Seller/Service can assume a PGA of less than 0.15g, and therefore an SRA is not required.

For areas that require a PGA calculation, the Seller/Service must enter or select the input values into the tool found on the USGS website as identified in the table below. An example of the use of the tool, using the address of the Freddie Mac Los Angeles office at 444 South Flower Street, can be found at mf.freddiemac.com/lenders/uw. This example includes instructions on saving the data in PDF format for submission to Freddie Mac.

Data Element	Input
Edition	Dynamic: Conterminous U.S. 2014 (latest release), Alaska, Hawaii
Spectral Period	Peak Ground Acceleration (PGA)
Location	Generate the latitude/longitude using the “choose location using a map” feature to enter an address
Time Horizon/Earthquake Return Period	10% in 50 years (475 years)
Site Class*	259 m/s (site class D) for properties located in CA, NV, OR, WA 760 (B/C boundary) for all other locations

*** The site class must be adjusted as indicated in the table above, unless the Consultant justifies an alternate soil classification value and provides documentation.**

If the PGA is less than 0.15g, an SRA is not required.



If the PGA is equal to or greater than 0.15g, then the Property is located in an Elevated Seismic Hazard Region and the Seller/Service must evaluate the Property for the risk factors specified in Section 64SBL.2(c). If none of the seismic risk factors are present at the Property, no SRA is required.

If the PGA is equal to or greater than 0.15g, and any one of the risk factors listed in Section 64SBL.2(c) is present at the Property, or if the Seller/Service cannot conclusively determine that none of the risk factors are present at the Property, a Level 1 SRA is required. The Seller/Service must

- Obtain an SRA meeting the requirements of this Chapter 64SBL
- Upload the PDF obtained as output from the USGS website into DMS and submit the Level 1 SRA and the PDF to Freddie Mac in the applicable underwriting package as the required seismic risk documentation

c. Seismic risk factors for Properties located in an Elevated Seismic Hazard Region (12/15/22)

If the Property is located in an Elevated Seismic Hazard Region, as part of the property inspection described in Section 8SBL.15, the Seller/Service must evaluate the Property for the following seismic risk factors:

- Properties with residential units above ground floor commercial, retail or tuck-under parking that has either a construction date prior to 2000 as reported in the assessor's record, or a certificate of occupancy issued prior to 2000
- Wood framed buildings built prior to 1960
- Reinforced concrete masonry (CMU) bearing wall buildings constructed prior to 2000
- Unreinforced masonry construction, regardless of retrofit
- Properties required to undergo a seismic retrofit by any local or State authority

64SBL.3 Specific Seller/Service duties and responsibilities (06/30/16)

The Seller/Service's responsibilities are to

- Retain and direct the Consultant when a Level 1 SRA is required

The Seller/Service must review and verify the Consultant's credentials, licensing, certifications, memberships and affiliations. For new Consultants, the Seller must check at least three references from lenders who have retained or employed the Consultant to sufficiently evaluate the Consultant's capabilities and performance. The Seller must maintain a separate seismic risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each Consultant's performance, as well as the Consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.



~~The Borrower must not retain or direct the Consultant, but the Borrower may be responsible for paying the costs of all SRA services.~~

- ~~• Provide information identified in Section 64SBL.6 to the Consultant~~
- ~~• Obtain a Level 1 SRA for the Property, when required, and review the SRA to
 - ~~○ Ensure that it complies with Freddie Mac's requirements~~
 - ~~○ Verify that conclusive recommendations are provided for all identified issues~~~~
- ~~• Disclose to Freddie Mac any seismic risks identified in the SRA as well as any insurance required by Section 64SBL.14~~

64SBL.4 Reserved (06/30/16)

64SBL.5 Level 1 SRA requirements (12/15/22)

~~The Level 1 SRA must:~~

- ~~• Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac~~
- ~~• Clearly state any limiting conditions and the intended purpose of the report~~
- ~~• Identify deviations from the Guide requirements, including Assessor qualifications, ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a~~
- ~~• Be conducted in accordance with the ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide~~
- ~~• Include reporting of the damage ratio with an exceedance probability corresponding to a 475-year return period earthquake~~

~~Freddie Mac may require that the Level 1 SRA be updated if it is dated more than six months prior to the issuance date for the Letter of Commitment.~~

~~The Consultant who prepares the Level 1 SRA must meet the qualifications and requirements stated in Section 64SBL.12. The Consultant must review pertinent information and records in accordance with Section 64SBL.6. Each Level 1 SRA must include information disclosed by an inspection of the Property's structural components.~~

~~At initial submission of the full underwriting package to Freddie Mac, the site inspection supporting the Level 1 SRA must be dated within 30 days prior to the date of the Level 1 SRA. This inspection and the report documentation must meet the requirements of Sections 64SBL.7 through 64SBL.9. In addition, the Consultant must complete Form 1102, Seismic Risk Assessment Summary, as described in Section 64SBL.11 and include the form as part of the seismic risk documentation submitted in the underwriting package.~~



The Seller/Servicer must direct the Consultant to include the following language in the Level 1 SRA:

~~“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.”~~

~~64SBL.6 Data collection and records inquiry for the Level 1 SRA (06/30/16)~~

~~The Consultant must review all available information that would reveal the characteristics and current condition of the site and structural systems at the Property, including any seismic damage assessments. The Consultant should review such documents for informational purposes only and is not required to comment on their procedures, protocol, conclusions, or recommendations unless in conflict with the Consultant’s findings. The Consultant should only utilize such information in formulating recommendations or conclusions if such documents~~



appear reasonably accurate. The Seller/Service must ensure that all such information is provided to the Consultant before the Consultant inspects the Property.

The Level 1 SRA must identify the information the Consultant reviewed and the contacts that were consulted.

At a minimum the following must be reviewed (as applicable) and incorporated into the SRA report:

- **As-Built Construction Documents**—Review of as-built documentation may be limited to structural information such as the type of framing material, strength of concrete or steel, type of column-to-beam connections, composition of shear walls, quantity of reinforcing bars, symmetry of building configuration, transference of loads to the substructure, nature of the substructure, and nature of the soils.
- **Documents for Planned Construction**—Review of documentation for planned construction at the Property, such as seismic retrofit or renovation work, that will likely affect the performance and damageability of the Property during a seismic event.
- **Soils Reports**—Review of available geotechnical information and comment on the soil type, geotechnical features and the potential for soil liquefaction, ground fault rupture, and landslides.
- **Building Information**—Identification of the building type and any federal, State or local law, ordinance or code under which it was designed.
- **Active Earthquake Faults**—Identification of any active faults in the region that may affect the Property, and report on their maximum credible magnitude potential.
- **Secondary Earthquake Hazards**—Identification of secondary, site-specific hazards such as soil liquefaction, earthquake-induced landslides, and tsunamis or seiches.

64SBL.7 Inspection requirements for the Level 1 SRA (12/15/22)

The Consultant must perform a complete inspection of the exterior and interior of the Property's components and systems that are visible and accessible. This is generally a non-intrusive survey, but the Consultant must make a reasonable attempt at discovery. This inspection must document the building characteristics, any substantive inconsistencies between the field conditions and as-built documents, and any deficiencies in the structural systems. The Consultant must also document the sufficiency of non-structural elements including natural gas seismic shut-off valves, bracing and anchorage of secondary building systems, such as mechanical equipment and ceilings. The Consultant must provide photographic documentation that characterizes the Property's overall construction and configuration and that identifies specific vulnerabilities or signs of physical distress.

64SBL.8 Seismic loss estimation requirements for the Level 1 SRA (12/15/22)

Based on the records submitted, site observations, and empirical data available through peer-reviewable data systems, the Consultant must render an opinion, in conformance with the ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a, of both the



~~Scenario Expected Loss (SEL) and Scenario Upper Loss (SUL) as a percentage of the current building replacement cost. The SEL and SUL must be determined using the earthquake with a 10 percent probability of exceedance in 50 years (a.k.a. 475-year return period earthquake). The SEL and SUL based on the 10 percent probability of exceedance in 50 years (475-year return period earthquake) will be referred to as the SEL-475 and SUL-475 within this Guide. The Consultant must include, as applicable, a general description of the anticipated damage to the structure and its expected life safety and building stability performance as a result of these scenario losses. The Consultant's method for calculating seismic loss estimates must be peer-reviewable, with all input, engineering assumptions and output documented in the report for third-party review.~~

~~For Properties where multiple building construction types are present (for example: buildings with tuck-under parking vs. buildings without tuck-under parking; garden-style buildings vs. high-rise buildings; linear buildings vs. L-shaped buildings), the Consultant must provide the SEL-475 and SUL-475 for each building construction type.~~

~~For additional information on evaluating the SEL-475 to determine the need for earthquake insurance or a seismic retrofit, see Section 64SBL.14.~~

64SBL.9 Report content for the Level 1 SRA (12/15/16)

~~The Consultant must include the findings from the Consultant's records review, site observations, and interpretation of data in a written report containing the following elements:~~

- ~~**Cover Page**—must include the Property's name and address, report date, the client's name, address, and phone number, and the Consultant's name, address and phone number.~~
- ~~**Certification Memo**—must include the Property's name and location, report date, reliance language, confirmation that the report meets ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and the Guide, identification of the field and office personnel responsible for the report, and the signature of the reviewer.~~
- ~~**Executive Summary**—must include the following:~~
 - ~~Salient information about the buildings at the Property, such as their location, use, size, age, construction type, and design style~~
 - ~~Summary of the findings of the analysis, including the general condition of the Property~~
 - ~~Any specific areas of concern~~
 - ~~The SEL-475 and SUL-475 as a percentage damage ratio, and provide peak ground acceleration motions and the approximate Modified Mercalli scale intensity at the site~~
 - ~~Recommendations for further action or investigation as appropriate. If the Property is not expected to meet life safety and building stability performance standards as a result of the scenario losses considered, then the Consultant must include conceptual retrofit techniques that would achieve these performance levels~~



- ~~**Purpose & Scope**~~ — must state the purpose of the engagement, including an outline of the scope of work, the methods used to conduct the survey, a statement describing any limitations or exceptions to the scope of work, and reasons for any deletions or additions to the scope of work.
- ~~**Survey Approach**~~ — must provide a short description of the methodology used to conduct the survey and arrive at the conclusions. Include the specific method used to arrive at the SEL-475 and SUL-475, the sources of the empirical data and proprietary systems, the level of documentation reviewed, the procedures used during the site observations, and the methods used to determine the building stability.
- ~~**Site Characteristics**~~ — must list and discuss the following:
 - ~~Property location~~
 - ~~Site and vicinity characteristics~~
 - ~~Current use of the Property~~
 - ~~Soil data source (e.g., geotechnical report, regional online data)~~
 - ~~Soil type (engineering classification)~~
 - ~~Liquefaction potential (classified Very Low, Low, Moderate, High, Very High)~~
 - ~~Landslide potential (classified Very Low, Low, Moderate, High, Very High)~~
 - ~~Ground fault rupture potential~~
 - ~~Site map with aerial imagery, where available~~
- ~~**Building Characterization**~~ — must list and discuss the following:
 - ~~Construction classification (e.g., wood framed, concrete, steel, masonry)~~
 - ~~Number of stories~~
 - ~~Year designed~~
 - ~~Year constructed~~
 - ~~Year renovated/upgraded~~
 - ~~Structural irregularities~~
 - ~~Geometric irregularities~~
 - ~~Mass irregularities~~
 - ~~Structural system redundancy~~



- Overall construction quality
- **Site Observations** — must list and discuss property specific issues observed during the inspection. This must include a detailed appendix, as described below
- **Seismic Characteristics of Area** — must list and discuss the following:
 - Most potentially damaging faults in the area of the Property (within a 50-mile radius)
 - Maximum theoretical magnitude of an earthquake at that fault
 - Approximate distance from the most potentially damaging fault
 - Anticipated 475-year ground motion at the Property
- **Building Stability** — must be evaluated in accordance with ASTM Standard Guide E2026-16a, using the earthquake ground motion prescribed in the current edition of the International Building Code or other nationally applicable building code. Any stability concerns must be highlighted in Form 1102. Use of the 475-year ground motion used to calculate the SEL 475 is not appropriate for the building stability determination.
- **Site Seismicity and Scenario Loss** — must state the Consultant's opinion in accordance with ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a of the SEL and the SUL as a percentage of the current building replacement cost as a result of this analysis.
- **Appendices** — must include the following, at a minimum:
 - Qualifications — Professional resumes for all participating qualified professionals, including the Field Assessor, Report Author, and Senior Assessor as applicable
 - Photographs — Photos specific to the seismic assessment that document the Property's structural systems and identify seismic vulnerabilities and disrepair that relate to the calculation of the seismic loss estimates
 - Site Plan — must clearly label the Property, each building, and the location of specific seismic vulnerabilities as identified in the report
- **Form 1102, Seismic Risk Assessment Summary** — must be completed in its entirety

64SBL.10 Acceptability of the Level 1 SRA (06/30/16)

The Level 1 SRA must be acceptable to Freddie Mac. Upon Freddie Mac's review of the completed SRA, Freddie Mac may impose additional requirements.

64SBL.11 Form 1102, Seismic Risk Assessment Summary for a Level 1 SRA (12/15/22)

The Consultant must complete and sign Form 1102. Below is a description of each section:



- ~~**PGA Determination**~~—provide the PGA as determined using the formula found in Section 64SBL.2(b)
- ~~**Deviations to the Field Assessor's Qualifications**~~—if the Senior Assessor has determined that a Field Assessor who does not meet the minimum qualifications in Section 64SBL.12(a) is acceptable, the Senior Assessor will provide a justification, subject to approval by Freddie Mac
- ~~**Building Stability**~~—summarize the details regarding any building stability concerns, along with any recommendations as applicable (e.g., further engineering review, retrofit recommendations)
- ~~**SEL 475**~~—for Properties with a single construction type, provide a single SEL 475. For Properties in which multiple building types are present, provide a brief description of each building type and its corresponding SEL 475, and, when prompted, identify if the building type in question has stability concerns

~~64SBL.12 Level 1 SRA Consultant qualifications and requirements (12/15/16)~~

~~Consultants who conduct the on-site inspections and complete the Level 1 SRA reports must meet the qualifications and requirements specified in this section.~~

~~Because Freddie Mac does not approve Consultants, the Seller/Servicer must not consider any representation that a Consultant is approved or qualified by Freddie Mac to perform Level 1 SRAs. The Seller/Servicer is responsible for selecting the Consultant and is solely accountable for the Consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.~~

~~a. References and experience (12/15/16)~~

~~The consulting company providing Level 1 SRA reports must meet the following minimum requirements:~~

- ~~A staff of qualified professionals~~
- ~~The ability to rapidly assess sites in all Elevated Seismic Hazard Regions of the United States~~
- ~~A significant track record completing seismic reports for commercial real estate investors~~
- ~~Experience working within the commercial mortgage securitization markets and rating agencies~~
- ~~A well-developed production infrastructure and documented quality control procedures~~

~~The Consultant responsible for conducting the on-site inspection must meet the qualifications of either a Field Assessor or Senior Assessor, as defined in the ASTM Standard Guide E2026-16a Section 6.2.3, and as noted below.~~



~~The minimum qualifications for the Senior Assessor are:~~

- ~~• Licensed to practice civil or structural engineering~~
- ~~• 10 years of experience of general structural engineering of buildings~~
- ~~• Five years of experience of seismic design and analysis experience of buildings~~
- ~~• Three years of experience of seismic risk assessment of buildings~~

~~The minimum qualifications for a Field Assessor are:~~

- ~~• Licensed to practice civil or structural engineering~~
- ~~• Five years of experience of general structural engineering of buildings~~
- ~~• Three years of experience of seismic design and analysis experience of buildings~~
- ~~• Two years of experience of seismic risk assessment of buildings~~

~~In accordance with ASTM E2026-16a Section 6.2.3.4 the Senior Assessor will be responsible for determining the acceptable level of qualifications for the assessment and will be accountable for all elements of the Level 1 SRA. Pursuant to this section, the Senior Assessor may determine that a Field Assessor who does not meet the minimum qualifications is acceptable. Freddie Mac will consider approval of a deviation of the Field Assessor qualifications under the following scenarios:~~

- ~~• Original construction and/or seismic retrofit structural drawings are provided for review by the Field Assessor and/or Senior Assessor prior to the assessment, or~~
- ~~• The building(s) were designed and constructed in accordance with a Benchmark Building Code, or subsequent edition, as defined by American Society of Civil Engineers (ASCE) national standard ASCE 41-13, Chapter 4, Table 4-6, or~~
- ~~• The buildings on the property are determined by the Senior Assessor to have sufficiently simple configuration and no irregularities (such as tuck-under parking) that would promote undesirable seismic behavior that may result in structural instability or elevated building damageability.~~

~~The Senior Assessor must provide clear and concise justification for any deviations from the Field Assessor qualifications in Form 1102 and in the Certification Memo of the Level 1 SRA per Section 64SBL.9.~~

~~A Level 1 SRA must be written by a Consultant that meets the qualifications of a Field Assessor or Senior Assessor and must be reviewed and signed by a Consultant meeting the qualifications of a Senior Assessor. The qualifications of all professionals must be attached to the report and are subject to review by the Seller/Service and Freddie Mac.~~

~~All Consultants with a professional engineering designation must have a valid and current license issued by one of the following States: Alaska, California, Washington, Oregon,~~

~~Nevada, Utah, Hawaii, and Tennessee.~~

~~See Section 64SBL.3 for specific Seller/Servicer duties and responsibilities for retaining and directing a Consultant when a Level 1 SRA is required.~~

~~b. Conflicts of interest/provision of related services (06/30/16)~~

~~The Consultant may not be affiliated with the Borrower, the Seller/Servicer, a buyer or seller of the Property, or engaged in any business that might present a conflict of interest.~~

~~c. Insurance (06/30/16)~~

~~The Seller/Servicer must obtain from each Consultant an original certificate(s) of liability insurance that indicates that the Consultant is covered by insurance meeting the requirements of Section 11.5. The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.~~

~~d. Unacceptable Consultants (06/30/16)~~

~~The Seller/Servicer must send written notification immediately to *Small Balance Loan Team* if the Seller/Servicer, for cause, discontinues the use of a Consultant who has completed Level 1 SRAs within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac.~~

~~In addition, Freddie Mac reserves the right to refuse to accept Level 1 SRAs completed by any Consultant. Freddie Mac will maintain, at mf.freddiemac.com, the Multifamily Restricted Vendor List. If a Consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Consultant to complete a Level 1 SRA for a Property 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 Consultants do not prepare reports for Freddie Mac and will constitute "Confidential Information" as defined in Section 2.8.~~

~~64SBL.13 Representations and warranties (09/28/18)~~

~~The Seller/Servicer is deemed to make the representations and warranties regarding the Consultant and Level 1 SRA set forth in Section 5.4.~~

~~64SBL.14 Evaluation of the SRA results (09/30/20)~~

~~Retrofit and seismic insurance requirements are based on the results from the SRA. The following table summarizes the requirements based on the report findings:~~

SEL-475	Building Stability Concern	
	No	Yes

≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% and ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

If the Property will undergo seismic retrofit, the Borrower must establish a Repair Reserve of at least 125 percent of the estimated cost to make the required modifications, and the retrofit must be completed within 12 months after the Origination Date.

See Section 31.9(b)(3)(b) for information on requesting Freddie Mac approval to discontinue earthquake coverage after the Property undergoes seismic retrofit.

See Section 64SBL.8 for detailed information on determining the SEL to document in the SRA.

Multifamily Seller/Service Guide

Chapter 66

Conventional/TAH Physical Risk Report Requirements



Physical Risk Report Requirements	
66.1 Physical Risk Reports (08/25/26)	66.11 Asbestos-containing materials (ACM) (08/25/26)
66.2 Specific Seller/Service duties and responsibilities (12/12/24)	66.12 Lead-based paint (02/16/23)
66.3 Physical Risk Report requirements (12/14/23)	66.13 Drinking water quality (02/16/23)
66.4 Data collection and records inquiry for the Physical Risk Report (12/14/23)	66.14 Mold (02/16/23)
66.5 Inspection requirements for the Physical Risk Report (02/16/23)	66.15 Radon (02/16/23)
66.6 Hazardous material (02/16/23)	66.16 Superlien status (02/16/23)
66.7 Storage tanks (02/16/23)	66.17 Acceptability of the Physical Risk Report (02/16/23)
66.8 Polychlorinated biphenyls (PCBs) (02/16/23)	66.18 Physical risk consultant qualifications and requirements (02/16/23)
66.9 Prior use/historical sources inquiry (02/16/23)	66.19 Mortgage Servicing (02/16/23)
66.10 Neighborhood hazardous waste activity (02/16/23)	66.20 Representations and warranties (09/28/18)



66.1 Physical Risk Reports (~~12/12/24~~08/25/26)

66.1(a) Purpose of the Physical Risk Report (12/12/24)	66.1(b) Information to be provided with the Physical Risk Report (02/16/23)

Unless otherwise required by Freddie Mac, this chapter applies to the following:

- ~~A conventional or Targeted Affordable Housing (TAH)~~A Mortgage that has an initial principal balance of \$20 million or less, or 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

This chapter sets forth the requirements, duties and responsibilities of the Seller/Servicer, the Borrower and the physical risk consultant to evaluate the property condition and the environmental hazards associated with the Property and report this information to Freddie Mac. The consultant must provide resolution and costs for any deficiencies and any hazards identified at the Property.

If the Mortgage meets the conditions outlined above, the Seller/Servicer has the option to submit a [Form 1108, Physical Risk Report \(Physical Risk Report\)](#), meeting the requirements of Section 66.3 in lieu of submitting a property condition report and an environmental report. If the Seller/Servicer opts to submit [Form 1108](#), the Seller/Servicer must submit the form before Freddie Mac will issue a Letter of Commitment to purchase a Mortgage.

a. Purpose of the Physical Risk Report (12/12/24)

The purpose of the Physical Risk Report is to:

- Provide a brief description of all major building components and their condition
- Identify all deferred maintenance that is currently affecting building components or is expected to have a negative impact on building components
- Identify Critical Repairs and Priority Repairs (as defined in Section 66.3(b)) needed and provide cost estimates for those items
- Identify the capital needs over the term of the Mortgage and establish the appropriate amount of the Replacement Reserve
- Identify any current or past water intrusion, potentially damaging leaks or organic growth issues (Mold) and identify the source(s) of all water and Mold
- Identify problematic materials, equipment or systems as defined in Section 62.5(c)
- Identify all readily observable issues related to non-compliance with applicable codes, including disability accessibility requirements, and all issues that could negatively affect the



health and safety of the tenants

- For a property in an Elevated Seismic Hazard Region, evaluate the high risk seismic factors identified in Section 64.2(c)
- Identify any potential environmental concerns at the subject property and on adjacent properties

b. Information to be provided with the Physical Risk Report (02/16/23)

The Seller/Servicer must submit the completed Physical Risk Report, which conveys information about the property features, conditions, potential environmental concerns and all recommended remedies, to Freddie Mac along with copies of:

- All information the consultant reviewed, including all data and records provided by the Borrower as well as test results and data reviewed in accordance with Section 66.4 (Key documents, such as test results, environmental databases and renovation scope of work and budgets, should be included in the report appendix.)
- Sufficient standard-size color photographs as are necessary to illustrate the conditions discussed in the report (The consultant must determine the number of photographs that will be necessary and include the photographs, with a description for each photograph.)
- A site plan(s) to adequately locate the Property and provide an indication of the site layout
- The resume of the individual who performed the on-site inspection
- The resume(s) of the individual(s) who reviewed the report, if different from the individual who performed the inspection

66.2 Specific Seller/Servicer duties and responsibilities (12/12/24)

The Seller/Servicer must exercise due diligence when evaluating a Property, and must make appropriate inspections and inquiries to learn its true condition.

The Seller/Servicer's responsibilities are to:

- Retain and direct the physical risk consultant

The Seller must review and verify the physical risk consultant's credentials, licensing, certifications, memberships and affiliations. For new consultants, the Seller must check at least three references from lenders who have retained or employed the physical risk consultant to sufficiently evaluate the consultant's capabilities and performance. The Seller must maintain a separate physical risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each consultant's performance, as well as the consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.



The Borrower must not retain or direct the physical risk consultant; however, the Seller may require the Borrower to pay the costs of all physical risk consultant services.

- Disclose if the State where the Property is located has an Environmental Superlien Law

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

- Disclose to Freddie Mac and the physical risk consultant knowledge of any environmental matters that may affect the Property and knowledge of any physical deficiencies
- Keep abreast of local health, safety accessibility and environmental laws governing the Property
- Provide to the consultant any previously completed Physical Risk Report, property condition report or environmental report and all information pertaining to the maintenance, repair and replacement of major building components or systems before the consultant physically inspects the Property as required in Section 66.4
- Determine if an operations and maintenance (O&M) program is required and obtain an O&M program that is acceptable to Freddie Mac
- Assess the Borrower's ability to successfully execute an O&M program
- Obtain the Physical Risk Report for the Property
 - Review the Physical Risk Report to ensure that it complies with Freddie Mac's requirements and to verify that conclusive recommendations are provided for all identified issues
 - Obtain additional analysis as necessary to resolve any issues with respect to which the consultant was unable to reach a conclusion
- Ensure the appropriate risk management actions have been undertaken for identified environmental hazards
- Provide a copy of the completed Physical Risk Report to the Borrower so that the Borrower can understand their obligations to complete the identified Priority Repairs (including PR-90 Repairs) as specified in the Loan Documents
- In accordance with Section 8.17:
 - Report Critical Repair findings to Freddie Mac, and follow up to ensure timely completion of Critical Repairs
 - Include completion, reserve funding, and other requirements for Capital Replacements and Repairs in the Loan Documents when required by the Letter of Commitment
- When problematic materials, equipment and systems are identified, as described in Section 62.5(c)

- Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property
- Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems

66.3 Physical Risk Report requirements (12/14/23)

66.3(a) General requirements for Physical Risk Reports (02/16/23)	66.3(d) Remediation and retesting (12/14/17)
66.3(b) Repair categories (12/14/17)	66.3(e) Operations and maintenance (O&M) program (12/14/17)
66.3(c) Capital needs over the term of the Mortgage (Replacement Reserves) (02/28/18)	66.3(f) Specific requirements for the Physical Risk Report (12/14/23)

a. General requirements for Physical Risk Reports (02/16/23)

Each Physical Risk Report must:

- Be completed by a consultant who meets the qualifications and requirements stated in Section 66.18
- Document information disclosed by a comprehensive inspection of the Property to analyze all property conditions and environmental hazards
- Meet the inspection requirements of Sections 66.5 through 66.15
- Indicate the appropriate category described below for each repair item except Routine Repairs and Maintenance
- For every Critical Repair, Priority Repair and potential environmental concern that is identified, provide a suggested remedy and a cost for repair, replacement or remediation
- Include any environmental sampling results
- Reference any environmental O&M programs that are recommended
- If a cost for repair or replacement of any item cannot be identified without further analysis, recommend a scope for the analysis and the estimated cost of such analysis

The physical risk consultant must review pertinent information and records in accordance with Section 66.5.

Sections of Chapter 66 refer to environmental provisions in Chapter 61 to avoid duplication. For the purposes of this Chapter 66, all references to the environmental report in the referenced sections of Chapter 61 are to be understood as referring to the Physical Risk Report, and any references to the environmental consultant in the referenced sections of Chapter 61 except Section 61.14 (radon) are to be understood as referring to the physical risk consultant. All radon



testing must be managed by an environmental consultant, who must be an “Environmental Professional” as that term is defined in 40 CFR § 312.10.

b. Repair categories (12/14/17)

See Section 62.3(b) for a description of the repair categories.

c. Capital needs over the term of the Mortgage (Replacement Reserves) (02/28/18)

In Section VI, the consultant must:

- Identify the items needing repair or replacement that are beyond the scope of regular maintenance but are necessary to maintain the overall condition of the Property
- Provide an assessment of the Property that:
 - Projects the need for replacements and repairs for the term of the Mortgage plus two years, to a maximum of 12 years
 - Identifies and quantifies the needs and the annual costs after accounting for the inflation factor as indicated in Section VI of [Form 1108, Physical Risk Report](#)

Freddie Mac will review the consultant’s assessment and determine the actual Replacement Reserve amount. For a Mortgage with a term of more than 10 years, see Section 39.6(f) for additional Replacement Reserve requirements.

For Seniors Housing Mortgages, see additional requirements for the Replacement Reserve analysis in Section 21.16(e).

For Manufactured Housing Communities Mortgages, see additional requirements for the Replacement Reserve analysis in Section 22.2(i).

d. Remediation and retesting (12/14/17)

Refer to Section 61.4(b).

e. Operations and maintenance (O&M) program (12/14/17)

Refer to Section 61.4(c).

f. Specific requirements for the Physical Risk Report (12/14/23)

The Physical Risk Report must be completed and dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac.

The site inspection supporting the Physical Risk Report, and the supporting environmental database report, must be dated within 30 days prior to the date of the Physical Risk Report.

The Physical Risk Report must be certified by the physical risk consultant and clearly

- Identify all conditions present during the inspection



- Identify all parties present during the site visit and contacted for data or information required for the report
- State any limiting conditions and the intended purpose of the report
- Identify any deviations from the Guide requirements and the most recent version of ASTM standards E2018 and E1528 as well as applicable environmental regulations established by the Environmental Protection Agency (EPA)

66.4 Data collection and records inquiry for the Physical Risk Report (12/14/23)

The physical risk consultant must:

- Review information pertaining to the maintenance, repair and replacement of major building components or systems
- Review all significant maintenance reports, repair receipts and replacement items completed within the past 12 months, as well as elevator, boiler and safety inspection records and certificates
- Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress
- Determine if any deficiencies identified in the inspection are included in the Borrower's scope of work, and if deficiencies noted are part of planned or ongoing improvements, analyze the Borrower's budget associated with this work to determine the adequacy of the budget
- Note readily observable deficiencies and/or violations of any federal, State or local laws, ordinances or codes that remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
 - For properties built prior to the enactment of the Fair Housing Act and the American Disabilities Act, note any conditions that could be repaired and/or renovated that pursuant to the applicable federal, State and local laws, statutes and regulations are "**readily achievable**" and/or qualify as "**reasonable accommodations**" which will increase accessibility for disabled tenants and visitors to the property in accordance with the applicable laws, statutes and regulations
- Make appropriate inquiry through publicly available sources to determine if any federal, State or local law, ordinance or code violations remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
- For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64.2, evaluate the seismic risk factors found in Section 64.2(c)
- For a Property where a Solar Electric System is installed or will be installed, include information outlined in Section 8.21(f)



- Review all appropriate environmental records, including previous environmental assessment reports, past test results, information on historical use of the subject property and neighboring properties and governmental environmental database records
- Make appropriate inquiry regarding the use and ownership of potentially hazardous equipment at the subject property
- Conduct any required environmental testing in conformance with applicable local, State and federal regulations and licensing requirements

The Physical Risk Report must identify the information the consultant reviewed and the contacts that the consultant made.

66.5 Inspection requirements for the Physical Risk Report (02/16/23)

The physical risk consultant must perform a complete inspection of the exterior and interior of the Property's components. This inspection must document the types of materials, systems, equipment and potential environmental concerns observed. Refer to Sections 62.5(a)-(c) and Section 62.5(e); however, item 62.5(a)(13) does not apply.

Each Physical Risk Report must evaluate conditions and contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which include the following Scope Issues:

1. Hazardous materials
2. Storage tanks
3. Polychlorinated biphenyls (PCBs)
4. Prior use
5. Neighborhood hazardous waste activity

Each Physical Risk Report must also include an evaluation of the following Non-Scope Issues:

1. Asbestos
2. Lead-based paint (LBP)
3. Drinking water quality
4. Mold
5. Radon
6. Superlien status



66.6 Hazardous material (02/16/23)

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this hazardous material risk. If any responses to the questionnaire are “yes” or “unknown”, then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.5(a)-(d).

66.7 Storage tanks (02/16/23)

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this storage tank risk. If any responses to the questionnaire are “yes” or “unknown,” then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.6(a)-(e).

66.8 Polychlorinated biphenyls (PCBs) (02/16/23)

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this PCB risk. If any responses to the questionnaire are “yes” or “unknown”, then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.7(a)-(e).

66.9 Prior use/historical sources inquiry (02/16/23)

The consultant must determine whether any past uses of the Property indicate the potential for contamination to be present due to releases of hazardous materials or petroleum.

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate any risk associated with the prior use of the Property. If any responses to the questionnaire are “yes” or “unknown”, then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.8(a)-(c).

66.10 Neighborhood hazardous waste activity (02/16/23)

Refer to Sections 61.9(a)-(b).

66.11 Asbestos-containing materials (ACM) (02/16/2308/25/26)

For a physical risk consultant with the requisite asbestos training identified in Section 66.18(b), refer to Sections 61.10(a) - (f). If the

66.11(a) Environmental assessment protocol (08/25/26)	66.11(c) Issue resolution by Borrower (08/25/26)
66.11(b) Issue resolution by physical risk consultant (08/25/26)	

a. [Environmental assessment protocol \(08/25/26\)](#)

The physical risk consultant ~~does not have~~ must identify all observed potential ACMs. Testing is not required. For any suspect ACM identified, the consultant must indicate:

- If the material is friable or non-friable
- If the material is encapsulated or not
- If the material is damaged or not

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

b. [Issue resolution by physical risk consultant \(08/25/26\)](#)

As the date of construction is not a meaningful indicator relative to the presence of asbestos, the consultant must recommend an O&M program for all properties unless a comprehensive asbestos training identified inventory was conducted and/or evidence is provided indicating that all ACMs were removed from the property and the documentation is satisfactory to the consultant.

If damaged suspect friable ACM is identified in the interior of the building, the consultant must specifically state:

- Whether an ACM inventory is needed
- Which materials must be removed and the cost of such removal
- Which materials must be repaired and the cost of such repairs
- Which materials must be covered by an O&M program and cost of the program development

If previous ACM abatement work was performed improperly, the physical risk consultant must identify any resultant contamination.



c. Issue resolution by Borrower (08/25/26)

Freddie Mac requires that the Borrower institute an O&M plan for any suspect ACMs identified by the consultant in accordance with EPA guidance, Managing Asbestos in Place: A Building Owner's Guide to Operations and Maintenance Programs for Asbestos-Containing Materials and as found on the EPA website: <https://www.epa.gov/asbestos/information-owners-and-managers-buildings-contain-asbestos>.

The Borrower must remove all documented friable ACM. Damaged suspect friable materials identified by the consultant which are located in residential units or interior spaces accessible to tenants must either be removed or tested to confirm that the material is non ACM. A qualified professional must analyze the samples utilizing polarized light microscopy and dispersion staining. The number and quantity of samples must be sufficient to provide meaningful results for the area tested.

Undamaged friable ACM may remain in place only if all of the conditions identified above, as well as the following conditions, exist:

- The concentration or amount of asbestos in the material must be less than 10 percent by weight
- The friable ACM must be in good condition as determined by the physical risk consultant
- The friable ACM must be sufficiently covered with paint or other material to help prevent the future release of asbestos into the air
- The Borrower must institute an O&M program developed by the physical risk consultant and acceptable to Freddie Mac

Undamaged non-friable ACM and undamaged, fully encapsulated wall and ceiling joint compound that is assumed to contain asbestos may remain in place, subject to an acceptable abbreviated O&M program as set forth in ~~Section 66.18(b)~~, then refer to Sections 62SBL.11(a)-(d)-61.10(f).

Under most circumstances, before the Origination Date, the Borrower must remove all ACM that is required to be removed. Freddie Mac will consider agreeing to removal of the ACM after the Origination Date only under certain circumstances, such as if the extent or location of the ACM in the building does not present a Life Safety Hazard or if a qualified ACM abatement/removal firm is not immediately available to remove the ACM.

In order for the ACM removal to be performed after the Origination Date, the conditions in Section 61.4(b)(2) must be met. In addition, Freddie Mac will require the following:

1. A binding, fixed-fee ACM-removal contract from a qualified ACM abatement/removal firm that provides for the firm to remove the ACM within 90 days after the Origination Date (or within a time frame agreeable to Freddie Mac), in strict accordance with prudent industry standard practices and all federal, State and local requirements governing the removal, transport and disposition of ACM
2. Removal of the ACM must be identified in the Physical Risk Report as a PR-90 Repair



3. Before funds are released to the Borrower from any applicable Reserve, proper evidence provided by the Borrower to the Seller/Service that the ACM removal was performed by properly trained individuals in accordance with prudent industry standard practices and complied with all federal, State and local requirements governing the removal, transport and disposition of ACM

66.12 Lead-based paint (02/16/23)

Refer to Sections 61.11(a)-(f).

66.13 Drinking water quality (02/16/23)

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this drinking water quality risk. If any responses to the questionnaire are “yes” or “unknown”, then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.12(a)-(e).

66.14 Mold (02/16/23)

Refer to Sections 61.13(a)-(e).

66.15 Radon (02/16/23)

Refer to Sections 61.14(a)-(e). All radon testing must be managed by an environmental consultant, who must be an “Environmental Professional” as that term is defined in 40 CFR § 312.10.

66.16 Superlien status (02/16/23)

Refer to Section 61.15.

66.17 Acceptability of the Physical Risk Report (02/16/23)

The Physical Risk Report and the condition of the Property must be acceptable to Freddie Mac. The Physical Risk Report must specify an appropriate solution for each deficiency identified. The consultant must identify the scope and estimated cost for all Critical Repairs and Priority Repairs and all potential environmental concerns. Upon Freddie Mac's review of the completed Physical Risk Report, Freddie Mac may impose additional requirements.

66.18 Physical risk consultant qualifications and requirements (02/16/23)

66.18(a) General requirements (12/14/17)	66.18(d) Insurance (12/14/17)
66.18(b) References and experience (02/16/23)	66.18(e) Unacceptable consultants (12/14/17)
66.18(c) Conflicts of interest/provision of related services (12/14/17)	



Consultants who conduct the on-site inspections and complete the Physical Risk Reports must meet the qualifications and requirements specified in this section.

Because Freddie Mac does not approve physical risk consultants, the Seller/Servicer must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare Physical Risk Reports. The Seller/Servicer is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.

a. General requirements (12/14/17)

Consultants' qualifications may vary with the needs of the specific assignment: general inspection services or specific technical analysis may be required. The consultant must be able to analyze building systems, site conditions, and environmental issues professionally, identify deficiencies and recommend remedial responses with cost estimates.

b. References and experience (02/16/23)

A consultant performing inspections and preparing Physical Risk Reports must have all of the following qualifications:

- A bachelor's or graduate degree in architecture or a related engineering field from an accredited institution
- Five or more years of experience in one or more of the following disciplines: architecture, engineering (structural, mechanical or civil) and/or construction/cost estimating
- Three or more years of experience performing multifamily property inspections
- Two or more years of experience conducting similar work for financial institutions

Personnel directly involved with analyzing the environmental information and data for the Physical Risk Report must also have expertise in at least the following relevant areas:

1. Soil and/or ground water contamination
2. Soil and/or ground water sampling
3. Asbestos identification and abatement
4. PCB contamination
5. UST identification, abandonment and removal supervision



6. LBP identification and abatement design and supervision
7. Familiarity with applicable federal, State and local environmental and public health laws and regulations
8. Development of O&M programs

Consultants that are taking samples of suspect asbestos-containing materials must have successfully completed the following courses that, at a minimum, meet the EPA Guidelines for Asbestos Model Accreditation Plan:

- A 24-hour asbestos inspection course
- An annual refresher course

Subsurface soil service providers must also complete the 40-hour Health and Safety Training for Hazardous Waste Operations course, with annual 8-hour refresher courses.

For LBP and asbestos work, some States and municipalities require a license or certificate. The physical risk consulting firm must have a sufficient number of properly licensed or certified employees to complete the project.

The Seller/Service must check at least three client references from the consultant's previous lenders to determine whether the projects were

- Similar in scope and purpose to the Property
- Completed on time
- Of sufficient quality

The Seller/Service must review the consultant's licensing and other certifications (in States where they are applicable), as well as listings of affiliations or memberships in professional organizations. The Seller/Service must also maintain in its file for review by Freddie Mac a current resume for the consultant, a current insurance certificate and the required references.

Freddie Mac will not accept a Physical Risk Report from an individual or firm that has been excluded from EPA-assisted programs. The Seller/Service must check the federal exclusion record at <https://sam.gov/content/exclusions> for the names of individuals and firms that are excluded by Federal government agencies from receiving

- Federal contracts
- Federally approved subcontracts
- Certain types of financial and non-financial assistance and benefits

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c. Conflicts of interest/provision of related services (12/14/17)

The consultant may not be affiliated with the Borrower, the Seller/Servicer, a buyer or seller of the proposed Property, or engaged in any business that might present a conflict of interest. The consultant may not be engaged to perform any repair or remedial work specified in the Physical Risk Report.

d. Insurance (12/14/17)

The consultant must provide the Seller/Servicer with an original certificate(s) of liability insurance, at its own expense, which evidences coverage meeting the requirements of Section 11.5. The Seller/Servicer must retain the original certificate(s) of insurance in its files.

e. Unacceptable consultants (12/14/17)

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 a consultant who has completed Physical Risk Reports within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac.

In addition, Freddie Mac reserves the right to refuse to accept Physical Risk Reports completed by any specific consultant. Freddie Mac will maintain, at mf.freddiemac.com, the [Multifamily Restricted Vendor List](#). If a physical risk consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to inspect a Property 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 physical risk consultants who are not acceptable to Freddie Mac do not prepare reports for use by Freddie Mac. The Multifamily Restricted Vendor List constitutes "Confidential Information" as defined in Section 2.8.

66.19 Mortgage Servicing (02/16/23)

Refer to Section 61.18.

66.20 Representations and warranties (09/28/18)

The Seller/Servicer is deemed to make the warranties regarding the Physical Risk Report and the physical risk consultant set forth in Section 5.4.

Multifamily Seller/Service Guide

Directory



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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 (with a paid subscription).

Directory (~~10/2108/25/26~~)

Freddie Mac developed this directory to assist Multifamily Seller/Service providers in their efforts to communicate with Freddie Mac in writing or by telephone, facsimile transmission (fax) or email.

The Directory identifies, in alphabetical order, contact information for the Freddie Mac departments referenced in italics in the Guide.

Following this page, you will find listings for each Multifamily Regional Office and Corporate Headquarters, and the alphabetical directory list.

Applicable Freddie Mac Multifamily Regional Office

Central Region

Serving Multifamily Seller/Service providers with Properties in the following States:

Illinois	Michigan	Ohio
Indiana	Minnesota	Oklahoma
Iowa	Missouri	South Dakota
Kansas	Nebraska	Texas
Kentucky	North Dakota	Wisconsin

Multifamily – Central Region
Freddie Mac
333 West Wacker Drive, Suite 2500
Chicago, IL 60606-1287

Northeast Region

Serving Multifamily Seller/Service providers with Properties in the following States:

Connecticut	New Hampshire	Puerto Rico
Delaware	New Jersey	Rhode Island
Maine	New York	Vermont
Massachusetts	Pennsylvania	

Multifamily – Northeast Region
Freddie Mac
8100 Jones Branch Drive
McLean, VA, ~~22012~~ 22102-3110

Southeast Region

Serving Multifamily Seller/Service Providers with Properties in the following States:

Alabama	Georgia	South Carolina
Arkansas	Louisiana	Tennessee
District of Columbia	Maryland	Virginia
Florida	Mississippi	Virgin Islands
	North Carolina	West Virginia

Multifamily – Southeast Region
Multifamily Production & Sales
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Western Region

Serving Multifamily Seller/Service Providers with Properties in the following States:

Alaska	Hawaii	Oregon
Arizona	Idaho	Utah
California	Montana	Washington
Colorado	Nevada	Wyoming
Guam	New Mexico	

Multifamily – Western Region
Freddie Mac
200 Spectrum Center Drive, Suite 200
Irvine, CA 92618

~~Small Balance Regional Offices~~

~~North Central Region~~

~~Serving Multifamily Seller/Service Providers with Properties in the following States:~~

~~Iowa~~	~~Michigan~~	~~Nebraska~~
~~Illinois~~	~~Minnesota~~	~~Ohio~~
~~Indiana~~	~~Missouri~~	~~South Dakota~~
~~Kansas~~	~~North Dakota~~	~~Wisconsin~~
~~Kentucky~~		

Multifamily SBL—North Central Region
Freddie Mac
333 W. Wacker Drive, Suite 2500
Chicago, IL 60606

Northeast Region
Serving Multifamily Seller/Service Providers with Properties in the following States:

Connecticut	New Hampshire	Pennsylvania
Delaware	New Jersey	Rhode Island
Massachusetts	New York	Vermont
Maine		

Multifamily SBL—Northeast Region
Freddie Mac
8100 Jones Branch Drive
McLean, VA, 22012-3110

South Central Region
Serving Multifamily Seller/Service Providers with Properties in the following States:

Colorado	New Mexico	Utah
Idaho	Oklahoma	Wyoming
Montana	Texas	

Multifamily SBL—South Central Region
Freddie Mac
2101 Cedars Springs Road, Suite 1050
Dallas, TX 75201

Southeast Region
Serving Multifamily Seller/Service Providers with Properties in the following States:

Alabama	Louisiana	South Carolina
Arkansas	Maryland	Tennessee
Florida	Mississippi	Virginia
Georgia	North Carolina	West Virginia

Multifamily SBL—Southeast Region
Freddie Mac
8100 Jones Branch Drive
McLean, VA, 22012-3110

Western Region

~~Serving Multifamily Seller/Service Providers with Properties in the following States:~~

~~Alaska~~	~~Hawaii~~	~~Oregon~~
~~Arizona~~	~~Nevada~~	~~Washington~~
~~California~~		

~~Multifamily SBL—Western Region
Freddie Mac
200 Spectrum Center Drive, Suite 200
Irvine, CA 92618~~

Investigation Unit

Attn: Institutional Investigations
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: 1-(800) 4FRAUD8
Fax number: (571) 382-4883
Email: MF_Mortgage_Fraud_Reporting@freddiemac.com

Attn: OFAC, E-List and FHFA SCP
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: 1-(800) 4FRAUD8
Email: AML_OFAC_Governance@freddiemac.com

Multifamily Asset Management

For All Mortgages

For Asset Performance and Compliance:

Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-2805
Email: MF_Asset_Perf@freddiemac.com
Fax number: (703) 714-3003

For Asset Resolution:

Attn: Multifamily Asset Resolution Director
Freddie Mac



8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-0623
Fax number: (703) 714-3388

For Borrower Transactions:

Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-2592
Email for DMS transmissions: [MF Borrower Transactions@freddiemac.com](mailto:MF_Borrower_Transactions@freddiemac.com)
Fax number: (703) 714-3003

For Structured Transactions:

Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-3265
Email for DMS transmissions: [MF Structured Transactions@freddiemac.com](mailto:MF_Structured_Transactions@freddiemac.com)
Fax number: (703) 714-3003

Multifamily Appraisals

Email: [Multifamily Appraisals@freddiemac.com](mailto:Multifamily_Appraisals@freddiemac.com)

Multifamily Attorney

Attn: Vice President, Legal Multifamily Real Estate
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 903-2357
Email: mfre_legal_notices@freddiemac.com

Multifamily Cash Management

Attn: Multifamily Cash Management
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-2524
Fax number: (703) 714-2515
Email: [Multifamily Cash Desk@freddiemac.com](mailto:Multifamily_Cash_Desk@freddiemac.com)



Multifamily Counterparty Risk & Compliance

Attn: Multifamily Counterparty Risk & Compliance
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-2904

Email Multifamily_Eligibility@freddiemac.com for all general inquiries, including submission of [Form 1107M](#), annual certifications, certificates of incumbency and custodial accounts.

Email MF_Counterparty_Transactions@freddiemac.com for information and inquiries related to Seller/Servicer applications, organizational changes and Material Vendors.

Multifamily Loan Accounting

Attn: Multifamily Loan Accounting
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-2611

Fax number: (703) 714-3002

General email: mfla@freddiemac.com

Multifamily Loan Accounting Payoffs

Attn: Multifamily Loan Accounting Payoffs
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-2611

Fax number: (703) 714-3002

Email: mfopsloanacctpayoffs@freddiemac.com

Multifamily Purchase

Attn: Multifamily Purchase
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Fax number: (703) 714-3667

Email: mf_purchase_boarding_mgrs@freddiemac.com



Multifamily Small Balance Loan Team

Attn: Multifamily Small Balance Loan Team
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Multifamily TAH Production

Attn: Multifamily TAH Production
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Email: TAH_Retail_Production@freddiemac.com

Multifamily TAH Underwriter

Attn: Director, Targeted Affordable Underwriting
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Multifamily Seller/Servicer Guide

Glossary and List of Commonly Used Acronyms



Glossary and List of Commonly Used Acronyms (06/2308/25/26)

[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.

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.

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.

Activity of Daily Living

See Section 21.2.

Actual Cash Value

See Section 31.1(c).



Actual Loan/Mortgage Amount

See Sections 17A.11(e), 19A.13(e) and 25A.8(b).

Additional Actual Loan/Mortgage Amount

See Sections 17A.11(e), 19A.13(e) and 25A.8(b).

Additional Actual Loan/Mortgage Amount Percentage

See Sections 17A.11(e), 19A.13(e) and 25A.8(b).

Adjustable-rate Mortgage

See Floating-Rate Mortgage.

Adverse Action Notice

An oral or written communication to a Borrower informing them of the refusal to grant an application for an extension of credit that includes all the information required by law. _See Section 10.13.

Affiliated Persons of the Seller/Servicer

Affiliated Persons of the Seller/Servicer include the following:

1. The Seller/Servicer's directors, officers, employees and controlling persons
2. Spouses or domestic partners of the Seller/Servicer's directors, officers and controlling persons
3. Members of the immediate family of the Seller/Servicer's directors, officers and controlling persons who have the same home as such persons
4. Individuals who are directors or officers of any subsidiary or holding company affiliate of the Seller/Servicer
5. Corporations or organizations (other than the Seller/Servicer or a corporation or organization through which the Seller/Servicer operates) of which a director, officer or controlling person of the Seller/Servicer is
 - An officer or partner
 - Directly or indirectly, either alone or with his or her spouse or domestic partner, the owner of 10 percent or more of any class of equity securities
 - Owner with other directors, officers and controlling persons of the Seller/Servicer and their spouses or domestic partners of 25 percent or more of any class of equity securities
6. Trusts or other estates in which a director, officer or controlling person of the Seller/Servicer or the spouse or domestic partner of such person has a substantial beneficial interest or for which such person or his or her spouse or domestic partner serves as trustee or in a similar fiduciary capacity



Affiliates of the Borrower

Affiliates of the Borrower include any person or entity who Controls, is Controlled by, or is under common Control with the Borrower.

Agreed Amount Provision or Agreed Value Endorsement

See Section 31.1(c).

Annual Inspection Form

See Section 40.2.

Anti-Money Laundering Laws

Anti-Money Laundering Laws are the applicable federal anti-money laundering laws and regulations including 18 U.S. C. Sections 1956 and 1957, as amended.

Applicable Freddie Mac Multifamily Regional Office

The Applicable Freddie Mac Multifamily Regional Office is the Freddie Mac Regional Office that has jurisdiction over a multifamily Mortgage purchase. The addresses for Freddie Mac's Multifamily Regional Offices are set forth in the Seller/Servicer Guide Directory.

Appraisal

An Appraisal is a report setting forth an estimate or opinion of value prepared by an appraiser having the qualifications described in Sections 60.4 and 60.5.

Approved Structured Lender

An Approved Structured Lender is a Seller/Servicer that has an approved designation with the ability to complete Freddie Mac Multifamily Structured Transactions on a continuous basis, as stated in Section 3.1(b).

Assisted Living Residence

See Section 21.2.

Benchmarking Data

Benchmarking Data is the Property's energy and water usage entered by the Benchmarking Data Consultant in Portfolio Manager® and which meets the requirements set forth in the term sheet located on the Freddie Mac Multifamily website. If Portfolio Manager® is no longer available, the Benchmarking Data Consultant may enter the data into another benchmarking tool identified by Freddie Mac.

Benchmarking Data Consultant

Benchmarking Data Consultant is a third-party consultant retained by Borrower and acceptable to Lender that is qualified to collect, input and monitor Benchmarking Data from the Mortgaged Property.



Benchmarking Metrics

Benchmarking Metrics are measures of Property utility consumption performance provided through Portfolio Manager.

Blanket Insurance Limit

See Section 31.1(c).

Blanket Insurance Policy

See Section 31.1(c).

Bond Credit Enhancement Forward Commitment

See definition of Construction Phase Letter of Credit.

Borrower

The Borrower is the party obligated to repay the indebtedness secured by the Property. The Borrower must, in Freddie Mac's judgment, have sufficient financial, operational and management capacity. Acceptable Borrowers are described in Section 9.2.

Borrower Principal

A Borrower Principal is:

- Any Key Borrower Principal
- Any person or entity that has Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, and Borrower-affiliated Master Tenant, including any one or more of the following:
 - General partner of a general partnership or a limited partnership
 - Non-member manager, managing member, or members of the board of managers of a limited liability company
 - The settlor (grantor) of a living or revocable trust
 - The trustee of an irrevocable trust
- Any person or entity that is pre-approved by lender to assume Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any person or entity with an aggregate interest (whether direct or indirect) in the Borrower equal to or exceeding 25 percent including any (i) equitable ownership interest or (ii) any beneficial interest in an Illinois Land Trust, irrevocable trust or Delaware Statutory Trust
- A LIHTC Syndicator
- Any person or entity that Freddie Mac determines to be a Borrower Principal



Borrower Transaction Parties

See Section 7.1.

Breakage Fee

The Breakage Fee is the fee, as set forth in the Letter of Commitment, Forward Commitment or early rate lock application, that the Borrower will owe the Seller and the Seller will owe Freddie Mac if there is a Nondelivery or in certain cases, if Freddie Mac Rejects the early rate lock application.

Business Continuity Plan

See Section 2.20.

Business Day

A Business Day is a day other than:

- A Saturday or Sunday
- A day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed
- A day on which the principal offices of Freddie Mac are closed
- A day on which the offices of the federal government located in the District of Columbia are generally closed

In the Guide, the word "day" without the modifier "business" refers to a calendar day.

Business Disruption

See Section 2.20.

Capitalization Rate

The Capitalization Rate is the percentage rate that represents the proper relationship between the value of the Property and the Net Operating Income that the Property produces.

Captive Insurance Company or Captive Insurer

See Section 31.1(c).

Cash Forward Commitment

See definition of Construction Phase Letter of Credit.



Certified Inspector

See Section 40.13(b).

Certified Organizational Chart

A Certified Organizational Chart is an Organizational Chart that is attached to [Form 1114, Certification – Organizational Chart](#). If the Certified Organizational Chart is revised, the Borrower must submit a new [Form 1114, Certification – Organizational Chart](#), with the revised Organizational Chart.

Change of Control

With respect to the Seller/Service, a change in the Control, directly or indirectly, of the management or policies of a Seller/Service, whether through ownership or transfer of ownership interests, by contract, or otherwise. A person is presumed to have such power if the person:

- Is a director, general partner, or Senior Management of the Seller/Service
- Directly or indirectly has the right to vote 10 percent or more of a class of a voting security of the company or has the power to sell or direct the sale of 10 percent or more of a class of voting securities of the company
- In the case of a limited liability company, is a managing member of the limited liability company; or
- In the case of a partnership, has the right to receive upon dissolution or has contributed 10 percent or more of the capital of the partnership

Claims Made Policy Form

See Section 31.1(c).

Coinurance Clause

See Section 31.1(c).

Commercial Property Assessed Clean Energy

Commercial Property Assessed Clean Energy is a tax lien financing program that is available to commercial, industrial and multifamily property owners to access affordable financing for qualifying energy efficiency and clean energy improvements to their properties.

Common Equity

See Section 9.9(b).

Complete Borrower/Key Borrower Principal Due Diligence Package

A Complete Borrower/Key Borrower Principal Due Diligence Package consists of:

- [Form 1115, Borrower and Key Borrower Principal Certificate](#);



- [Form 1116, Real Estate Schedule](#);
- Certified current financial statements for the Borrower and Key Borrower Principals;
- Credit report(s) for Guarantors that are individuals;
- [Form 1112, Borrower and Key Borrower Principal Blanket Certification](#); and
- Liquidity verification documentation, if applicable

The Complete Borrower/Key Borrower Principal Due Diligence Package is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.

Conditions to Conversion

Conditions to Conversion is, collectively, each of the conditions precedent to Conversion set forth (i) in the Forward Commitment, (ii) in Section 17A.11 (for Forward Commitments under Chapter 17A), Section 19A.13 (for Forward Commitments under Chapter 19A), Section 25A.7 and 25A.8 (for Forward Commitments under Chapter 25A) or Section 28A.14, Section 28A.15 and Section 28A.16 (for Forward Commitments under Chapter 28A), as applicable, and (iii) any other condition which may otherwise be required by Freddie Mac in connection with Conversion.

Confidential Information

See Section 2.8.

Confirmation Sheet

The Confirmation Sheet is the “Interest Rate Lock and Mortgage Terms Confirmation” or “Spread Lock and Mortgage Terms Confirmation” attached as an Exhibit to a Letter of Commitment, early rate lock application, Acceptance Letter or Index Lock Agreement. After an index locked Loan is Rate Locked, the Confirmation Sheet from the Index Lock becomes null and void and is replaced by the Confirmation Sheet that is attached to the Commitment, early rate lock application or Acceptance Letter. The Confirmation Sheet is sent after Rate Lock. For an early rate lock application, the Confirmation Sheet will be revised when Freddie Mac accepts the early rate lock application after final underwriting and issues the Acceptance Letter.

Consent Request Tracker

See Section 36.25.

Construction Loan

Required for a Forward Commitment, the Construction Loan is the construction lender’s loan to the Borrower.

Construction Phase 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.



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

Continuing Care Retirement Community

See Section 21.2.

Control

Control is the power to manage, control or direct the decisions of an entity.

Conventional Seller/Servicer

A Conventional Seller/Servicer is a Seller/Servicer that meets the net worth requirements in Section 3.3 and Freddie Mac's other eligibility requirements and has been approved by Freddie Mac as an Optigo Conventional Lender. In the Guide, an Optigo Conventional Lender is also referred to as a Conventional Seller/Servicer.

Conversion

For a Forward Commitment under either Chapter 17A or 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.

Conversion Underwriting Package

The underwriting package prepared by the Seller in accordance with [Section 1.31 of Exhibit 1](#), and submitted to initiate Conversion.

Conviction or Convicted

Conviction is any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. This includes nolo contendere (no contest) pleas, Alford pleas, and pardons not resulting in an expungement of the conviction. A disposition without the participation of a court is the functional equivalent of a judgment only if it includes an admission of guilt. Previous convictions that have been expunged by the date that [Form 1115, Borrower and Key Borrower Principal Certificate](#) is completed will not be considered



Convictions.

Cooperative

A Cooperative, or co-op, is a form of ownership of multifamily housing in which a cooperative housing association or corporation owns the multifamily Property (land and improvements) and the dwelling units are subject to proprietary leases between the corporation and unit “owners”. The unit owners own stock in the association or corporation to evidence their “ownership” in their dwelling units. Blanket (underlying) first Mortgages on multifamily housing owned by Cooperatives are eligible for purchase subject to the requirements set forth in ~~Sections 8SBL.18 and~~ Section 9.5.

Coupon Rate

The Coupon Rate is the interest rate specified in the Note secured by the Security Instrument.

Criminal Conviction

A Criminal Conviction includes any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. A plea of nolo contendere (no contest) will also be considered a Criminal Conviction. A disposition without the participation of a court will be considered the functional equivalent of a judgment only if it includes an admission of guilt.

Critical Repairs

See ~~Sections~~ Section 62.3(b) and 62SBL.3(b).

Crowdfunding

Raising capital from marketing directed to the public at large (via the internet or otherwise) for investment in one specific property under the exemptions provided under Title III or Title IV of the Jumpstart Our Business Startups (JOBS) Act.

Custodial Account

A Custodial Account is an account established and maintained by a Servicer at an “eligible depository,” as that term is defined in Chapter 52, into which principal and interest payments or Reserves are deposited.

Debt Coverage Ratio

The Debt Coverage Ratio is the ratio of Net Operating Income from a multifamily Property to the annual debt service, as determined by Freddie Mac.

Defeasance Period

The Defeasance Period is defined in the Loan Documents and is generally the period of time specified in the Loan Documents that the Borrower is prohibited from prepaying the Mortgage and may only defease the Mortgage.



Deferred Maintenance

Deferred Maintenance is the postponement of normal maintenance, which may result in Life Safety Hazards, advanced physical deterioration, lack of full operation or efficiency, or a decline in property value.

Delegated TAH Mortgage

A Mortgage originated under the Delegated Underwriting Model for Targeted Affordable Housing (TAH), described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide).

Delinquency

Delinquency occurs when all or part of the Borrower's monthly installment of principal, interest and, where applicable, Reserves is unpaid after the Due Date.

A Mortgage is considered delinquent when it is 30 days delinquent, as described in the table below:

If the due date is	The Mortgage is 30 days delinquent
The first day of the month	When all or part of one or more payments remains unpaid as of close of business on the last Business Day of the month
Not the first day of the month (from the second through the last day of the month)	When all or part of one or more payments remains unpaid 30 or more actual calendar days as of close of business on the last Business Day of the month

Delinquent

See Delinquency.

Delivery 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.

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.

Directing Certificateholder

The holder (or its authorized representative) of the most subordinate class of certificates in a Freddie Mac-sponsored Securitization. The Directing Certificateholder has certain rights (e.g., consent, notice, consultation and fees) with respect to the servicing of Mortgages owned by such Securitization.

Directing Party

The party holding the rights of a Directing Certificateholder in a Freddie Mac-sponsored Securitization.

Discovery Policy Form

An insurance policy form that covers losses discovered during the policy period even though they may have occurred before the policy period.

Document Management System

A Multifamily Software Application used to receive, deliver, and store electronic versions of documents relating to Freddie Mac Multifamily Mortgages.

Down Units

Residential units that cannot be made rent-ready with routine maintenance and repairs.

Due Date

The Due Date is the date on which the Borrower's monthly installment of principal, interest and, where applicable, Reserves is due as stated in the Note and other Loan Documents.

Due Date of Last Paid Installment

The Due Date Last Paid Installment is the Due Date of the last fully paid monthly installment of principal, interest, and Reserves (if any). It is not the date on which such payment was credited or the date of the next scheduled installment.

Effective Gross Income

Effective Gross Income is the maximum rental revenue the Property can generate based on: (a) (1) actual rents in occupied units; (2) achievable market rents in vacant units; (3) allowable commercial income; plus (4) all allowable sources of other income; less (b) vacancy, concessions and bad debt allowance. The above calculation is further refined for TAH transactions, subject to Freddie Mac's sole discretion, to take into account any restricted rents affecting the Property, the maximum allowable low-income housing tax credit rents (less utility allowances) (for 4% or 9% LIHTC transactions), and/or the HAP contract rents.

Electronic Delivery Package

The Electronic Delivery Package is the set of documents comprising a portion of the Final Delivery Package which is delivered electronically via DMS. For identification of the documents comprising the Electronic



Delivery Package, refer to the appropriate Final Delivery Table of Contents available at mf.freddiemac.com/lenders/purchase/.

Eligible Institution

A depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which must meet the minimum rating requirements in Section 52.2(a).

Energy Certification

Energy Certification is an energy certification and/or score of environmental energy savings given to the Utility Efficiency Improvements on the Property by applicable local, State or federal agencies or another nationally recognized building association.

Energy Star® Score

ENERGY STAR® Score is the measure of energy performance provided for the Property by Portfolio Manager.

Environmental Superlien Law

See Section 61.1(b).

EPA 1-100 Water Score

EPA 1-100 Water Score is a measure of water performance provided for the Property by Portfolio Manager®.

Equity Conflict of Interest

See Section 2.25.

Escrow Functions

The writing or issuance of the title commitment and Title Policy and related endorsements on behalf of the Title Insurance Underwriter, and handling and/or recording of deeds, deeds of trusts, mortgages, leases and other instruments required to close a Mortgage in accordance with the closing or escrow instruction letter.

Exception(s)

Any exceptions to the Seller/Service Representations and Warranties referenced in Section 5.13 of the Guide and found under the “Resources” section of the Legal Documents page at mf.freddiemac.com/lenders/legal.

Exclusionary List

The Exclusionary List is a confidential list compiled, maintained and distributed by Freddie Mac, containing names and other information concerning persons or entities that have been restricted or excluded from participating in transactions or doing business with Freddie Mac. The Exclusionary List is updated at least monthly by Freddie Mac.

Seller/Service Providers can access the Exclusionary List under “Quick Links” on the [Originate and Underwrite](#) and



[Asset Management](#) web pages.

Exempt Inspector

See Section 40.13(b).

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.

Fee Inspector Company

See Section 40.14.

FHA Mortgage

An FHA Mortgage is a Mortgage insured by the FHA.

Final Delivery Instructions

The Final Delivery Instructions are a detailed list of required Loan Documents and other items which, depending on the specific features of a Mortgage, may be required to be included with the Final Delivery Package. The Final Delivery Instructions are set forth in the following documents:

- For all non-~~SBL and non~~ TEL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents”
- ~~For SBL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents—SBL”~~
- For TEL Mortgages, the applicable document referenced below:
 - Final Delivery Instructions and Final Delivery Package Table of Contents – Unfunded Forward Tax-Exempt Loan
 - Final Delivery Instructions and Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan
 - Final Delivery Instructions and Final Delivery Package Table of Contents – Immediate Funding Tax-Exempt Loan

Each of these documents are available at mf.freddiemac.com/lenders/purchase/.

Final Delivery Package

As further defined in Chapter 32, the Final Delivery Package is the complete set of the required Purchase and Servicing Documents set forth in Chapter 32 and in the Final Delivery Instructions, which set may be comprised of both hardcopies and electronic versions of such documents.



Financial Crimes

Crimes to obtain personal or business advantage or that may result in conversion of property. Such crimes are generally characterized by fraud, deceit, concealment, or violation of trust and typically do not depend on the application of threat or physical force or violence. Examples include fraud, bribery, money laundering, sanctions violations, forgery, counterfeiting and terrorist activity financing.

First Lien

A First Lien is any lien that grants to the lienholder a claim against the Property that, under the law of the jurisdiction where the Property is located, is prior to the rights of all others, subject only to prior liens and encumbrances that Freddie Mac has expressly waived pursuant to Section 29.2.

First-Time Sponsor

See ~~Sections~~[Section 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~~[Section 9.11](#).

Forward Commitment

Forward Commitment has the meaning provided in Section 17A.1 for Conventional Mortgage under a Forward Commitment, and Section 19A.1 for TAH Cash Mortgage under a Forward Commitment, as supplemented by Chapter 25A for TEL and Chapter 28A for Bond Credit Enhancement.

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 issuance under a Funded Forward Commitment or for an Unfunded Forward Commitment when requested by Freddie Mac. The requirements are set forth in Section 8.16. At the time of Conversion, a complete property inspection is required.

Freddie Mac Access Manager

A Multifamily Software Application that enables Seller/Service providers who have registered and received Freddie Mac's authorization, to create, manage, and provision their users' access to certain servicing tools and applications.

Freddie Mac Approved Third Party Applications

Third party systems or software applications approved by Freddie Mac as provided in Chapter 2.

Freddie Mac Funding Date

The Freddie Mac Funding Date is:

- The date on which Freddie Mac disburses payment to the warehouse lender or the Seller for a Mortgage purchased by Freddie Mac under a cash program or product, or
- The settlement date for Mortgages purchased by Freddie Mac under a Multifamily Structured Transaction, or
- Execution by Freddie Mac of a Credit Enhancement Agreement in a bond credit enhancement transaction.

Freddie Mac Matters

See Section 7.1.

Freddie Mac Matters Contractor

See Section 7.1.

Freddie Mac Matters Employee

See Section 7.1

Freddie Mac Preservation

Freddie Mac Preservation is defined as Properties for which rent restrictions are in place through the Loan Agreement (e.g., Borrower-elected rent restrictions) or third-party, non-governmental rent restrictions. Freddie Mac Preservation rent restrictions may vary by product. TAH Mortgage products eligible for Freddie Mac Preservation include Non-LIHTC Preservation Rehabilitation and Affordable Forward Commitments (see Sections 19.2 and 19A.2 and the TAH term sheets referenced therein). Workforce Housing Preservation is a Conventional Mortgage product eligible for Freddie Mac Preservation (see Section 17.6).



Freddie Mac Underwriting Value

The market value of a Property for purposes of Freddie Mac's underwriting and purchase of Mortgages, and for calculation of Loan-to-Value (LTV) Ratios in connection therewith, is the lower of appraised value as determined by a third-party appraiser or the value determined by Freddie Mac.

FreddieMac.com

FreddieMac.com is Freddie Mac's Internet home page. FreddieMac.com includes information about Freddie Mac's programs and products and makes multifamily Loan Documents and other Mortgage origination information available to Seller/Servicers at mf.freddiemac.com.

Funded Forward Commitment

See Sections 19A.1(b) and 28A.2.

Funding Functions

The actions to:

- Prepare the final settlement statement(s) for closing
- Collect premiums, escrows, security deposits, sale and/or loan proceeds, and/or other funds in connection with the closing of the Mortgage and, if applicable, the acquisition of the Property
- Disburse all funds in accordance with the settlement statement(s) and the closing or escrow instruction letter
- Maintain the receipts and disbursements ledger

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 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 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 Up®

Green Up® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment®.

Ground Lease

See Section 30.1.

Ground Lease Mortgage

See Section 30.1.

Ground Lessee

See Section 30.1.

Ground Lessor

See Section 30.2.

Guarantor

Any person or entity that is liable under the Guaranty. (See also Foreign Guarantor)

Guide

The Guide is the official version of the Multifamily Seller/Service Guide, including the exhibits and related supplements, Bulletins and Industry Letters.



Hardcopy Delivery Package

The Hardcopy Delivery Package is the set of documents comprising a portion of the Final Delivery Package which must be delivered in their original hardcopy form. For identification of the documents comprising the Hardcopy Delivery Package, refer to the appropriate Final Delivery Table of Contents available at mf.freddiemac.com/lenders/purchase/.

Hard Subordinate Debt

See Section 19.2(f).

Home Mortgage

A Home Mortgage is a Mortgage secured by a First Lien on real estate on which there is located a structure designed principally for residential use by one to four families.

Imminent Life Safety Hazard

An Imminent Life Safety Hazard is a hazard that is about to cause harm. Imminent Life Safety Hazards are of the highest concern as they 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 judgment to determine the Hazard category.

See also Life Safety Hazard.

Income and Expense Statement

The Income and Expense Statement is the actual or pro forma statement of income and expense items for a person, an entity, or a Property during a specified period of time.

Increased Mortgage Amount

For the purposes of the early rate lock delivery option and the early rate lock application, see Section 27.20.

Increased Scrutiny for Moisture or Mold Issues

Increased Scrutiny for Moisture or Mold Issues is a specific inspection protocol, set forth in Section 8.3(b), which is used to evaluate the risk of moisture or Mold issues in certain Properties.

Independent Director/Manager

Independent Director/Manager is an individual who is not affiliated with the Borrower, any SPE Equity Owner, Guarantor or any other Borrower Principal or any parties associated or affiliated with the foregoing parties. See the Loan Documents for a more complete definition.



Independent Living Property

See Section 21.2.

Index Lock

See Section 27.1(b).

Index Lock Agreement

See Section 27.1(b).

Industry Trained Inspector

See Section 40.13(b).

Insurable Value

See Section 31.1(c).

Insurance Compliance Tool

A Multifamily Software Application for Sellers to submit documentation related to Borrower's insurance compliance.

Joint Loss Agreement

See Section 31.1(c).

Key Borrower Principal

Key Borrower Principal is:

- Any Guarantor, regardless of the amount of ownership interest in the Borrower and even if not in the organizational structure of the Borrower
- Seniors Housing Operator
- Any operator of the Property that is a Master Tenant under a master lease structure (e.g., a Delaware Statutory Trust ~~or Shariah-compliant loan~~)
- Any person or entity that has Ultimate Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any Pre-Approved Transferee
- Any non-Controlling person or entity that meets both of the following conditions, including LIHTC Investors:
 - Has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant



- Is not owned by any other person or entity that also has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- If a trust meets the two conditions above, the following parties are also considered Key Borrower Principals:
 - The settlor (grantor) of a living or revocable trust
 - The beneficiary of an irrevocable trust if the beneficiary has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing, Operator, or Borrower-affiliated Master Tenant
- Any individual or entity that does not meet the criteria set forth above but who is determined by Freddie Mac to be a Key Borrower Principal. These may include individuals or entities defined as a Required Equity Owner in the Loan Agreement.

Except for a LIHTC Investor that is a U.S. publicly traded entity a Key Borrower Principal must submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

Leasehold Interest

See Section 30.1.

Legal Issues Analysis

See Sections 6.4- and ~~Section~~ 29.2.

Letter of Commitment

A Letter of Commitment or Commitment is the written indication that Freddie Mac has made an offer to the Seller to purchase a Mortgage. The Letter of Commitment and any amendments set forth the terms and conditions of the purchase transaction. For an early rate-lock delivery, a counter-signed early rate-lock application, with all modification and acceptance letters, takes the place of the Letter of Commitment. Letters of Commitment also include Forward Commitments.

Life Safety Hazard

Life Safety Hazards consist of conditions that increase the possibility of personal injury or death. Traditionally, these hazards are associated with inadequate protections and often result from noncompliance with code requirements.

See also the definitions of Imminent Life Safety Hazard and Potential Life Safety Hazard, which apply to the post-purchase annual inspection of a Property. There is no comprehensive list of Imminent or Potential Hazards and the inspector must exercise judgment 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.

Limited Multifamily Experience Sponsor

See Section 9.2(d).

~~Linked Buildings~~

~~For SBL Mortgages, Linked Buildings are a Property comprised of buildings located on non-contiguous parcels. If the Property is comprised of non-contiguous parcels of land the transaction must be prescreened by Freddie Mac as required by Section 8SBL.6(c).~~

Liquid Assets

For the purposes of Seller/Servicer financial eligibility, see Section 3.3(a).

Otherwise, see Liquidity.

Liquidity

Cash, cash equivalents, Treasury bills, money market investments or certificates of deposit with maturities of one year or less, and marketable securities (such as stocks and bonds). Restricted assets, pledged accounts, and stocks or bonds for a company or municipality in default or bankruptcy must be excluded. All Liquidity must be measured in US dollars.

Loan Agreement

The Loan Agreement is the Multifamily Loan and Security Agreement. The Loan Agreement sets forth the terms of the Mortgage, including the representations and covenants of the Borrower, the events of default, the securitization terms and the lender's remedies. There is also a specially designated Loan Agreement for use with Seniors Housing Mortgages.

Loan Documents

Loan Documents are the Freddie Mac Multifamily Loan Documents, the forms of which are posted at mf.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.freddiemac.com includes a list of current Loan Documents. The revision date is indicated for each Loan Document.

Loan-to-Value Ratio

The Loan-to-Value Ratio is the relationship between the principal amount of the Mortgage and the value of the Property, expressed as a percentage of the value, as determined by Freddie Mac.

Localized Peril or Regional Peril

See Section 31.1(c).

Long Term Rental Assistance Contact

See Section 23.3(a).

Malicious Code

See Section 2.26(c).

Mandatory Delivery Date

The Mandatory Delivery Date is the delivery date identified in the Letter of Commitment or early rate-lock application. The Seller must deliver the Final Delivery Package to Freddie Mac by noon Eastern time on the Mandatory Delivery Date.

Mandatory Funding Date

Unless otherwise agreed upon, the Mandatory Funding Date is the date which is 15 days after the Mandatory Delivery Date; provided, however, that if such day is not a Business Day, then the Mandatory Funding Date will be the Business Day immediately preceding such date.

Manufactured Housing Community Product

A program under which Freddie Mac Multifamily will purchase Mortgages secured by Manufactured Housing Communities, as described in Chapter 22.



Manufactured Housing Resident-Owned Community

See Section 22.1(b).

Market Overhang

See Section 19.2(e) and Section 23.3.

Master Forward Financing Agreement

The Master Forward Financing Agreement documents the general terms and conditions governing all Forward Commitments with a particular construction lender.

Master Insurance Policy

See Section 31.1(c).

Master Tenant

A Master Tenant is the tenant that operates the Property under a master lease. A master lease structure is usually used in a ~~Shariah-compliant loan or~~ Delaware Statutory Trust loan.

Material Modification

For the purposes of the early rate lock delivery option and the early rate lock application, a “Material Modification” is as defined in Chapter 27.

Material Vendor

With respect to one or more Mortgages owned by Freddie Mac (*i.e.*, from Freddie Mac’s purchase until securitization or other disposition of such Mortgage(s)), a vendor engaged by the Servicer while Servicing such Mortgage or Mortgages on behalf of Freddie Mac that has the potential to create information security risk or compliance risk for Freddie Mac.

Refer to the Material Vendors [Material Vendors web page](#) for more details and examples of Material Vendors.

~~Maturity Loan-to-Value~~

~~See Section 18SBL.2.~~

MHC Tenant Protections

See Section 22.1(b).

MHC Tenant Protections Notification

See Section 22.2(p).

Minimum Consumption Savings Threshold

See Section 24.3(a).



Minimum Occupancy

The minimum number of units at the Property that must have current leases that comply with the provisions of the Loan Agreement in order for a Borrower to undertake or continue certain Property Improvement Alterations. The Minimum Occupancy is expressed as a percentage in the Loan Agreement.

Minimum Origination Fee

The Minimum Origination Fee is the minimum fee the Seller/Service 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.~~

Moderate Rehabilitation Mortgage

See Section 17.4.

Modification Letter

The Modification Letter is used by Freddie Mac to propose material modifications to an early rate lock application.

Moisture Management Plan

An Moisture Management Plan is a plan provided by the Borrower to manage moisture or Mold issues at the Property in accordance with the requirements set forth in Section 8.3(a). If a Moisture Management Plan is required, the Moisture Management Plan must be maintained at the Property and be made available for verification at annual inspections. Additional information on the requirements for a Moisture Management Plan is in the [Moisture Management Plan Handbook](#).

Mold

Mold is a naturally occurring growth that is frequently dark in color with a musty odor. Mold feeds on organic material, and the growth of Mold is typically associated with damp or moist conditions. Mold is also referred to as fungus or mildew.

Mortgage

A Mortgage is a loan meeting the requirements of Section 1.2 and secured by a lien on real estate held in fee simple or on an acceptable leasehold estate. A Mortgage may also be: (i) a bond credit enhancement meeting the requirements of Chapter 28 or Chapter 28A, (ii) the mortgage loan securing a TEL meeting the requirements of Chapter 25 or Chapter 25A, or (iii) a mortgage loan, or a tax-exempt bond or loan secured by a mortgage loan, not meeting the requirements of Section 1.2, Chapter 28, Chapter 28A, Chapter 25, or Chapter 25A that has been: (a) deposited in a securitization sponsored by Freddie Mac or (b) or credit enhanced by Freddie Mac. When used alone in the Guide, and unless the context indicates otherwise, the term "Mortgage" is a multifamily Mortgage secured by a property containing five or more dwelling units.

The term "Mortgage" includes the Security Instrument (mortgage, deed of trust, or deed to secure debt), the Note, the evidence of title, and all other Loan Documents that evidence the Mortgage and includes, for bond credit enhancement transactions, the bond mortgage note, the bond mortgage, the reimbursement mortgage and the reimbursement agreement.



Mortgage Documents

See Loan Documents.

Mortgage 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.

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.

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/Serviceirs 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/Serviceir in connection with the sale and the servicing of multifamily Mortgages. The Multifamily Software Applications include those listed in Section



2.12(a).

National Flood Insurance Program

See Section 31.1(c).

Net Operating Income

Net Operating Income is the income from a property's operations available for repayment of debt and return on equity to the owner after deducting economic vacancy and all expenses (exclusive of debt service).

Nondelivery

A Nondelivery is any action or failure to act that prevents or will prevent the Seller from meeting the terms of a Commitment after acceptance or an early rate lock application after Rate Lock.

Nonprofit Entity

A Nonprofit Entity is an entity that has been conferred tax-exempt status by the U.S. Internal Revenue Service. For Freddie Mac's purposes, a Nonprofit Entity must have a mission of owning, developing, operating, preserving, managing, or otherwise promoting affordable multifamily housing.

Non-LIHTC Property

A Property that has affordability requirements outside of a LIHTC regulatory agreement and meets the requirements set forth in the term sheets available at mf.freddiemac.com for Affordable Forward Commitments, Preservation Rehabilitation Financing for Non-LIHTC Properties or Non-LIHTC Bridge, as the context may require.

Non-Scope Issues

See Section 61.2(b).

Non-U.S. Equity Holder

A Non-U.S. Equity Holder is any non-U.S. person or entity with a collective equity interest (whether direct or indirect) in Borrower equal to or exceeding 10 percent. A Non-U.S. Equity Holder is subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in this Guide including those identified in Chapters 2, 9, 41, 43, and 44.

A Non-U.S. Equity Holder that is a Key Borrower Principal is required to submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

A Non-U.S. Equity Holder with a 25 percent or greater interest in the Borrower will be considered a Borrower Principal.

All Non-U.S. Equity Holders must be named on the Organizational Chart.



Note

A Note is the instrument evidencing the indebtedness secured by a Security Instrument, and includes, for bond credit enhancement transactions, the reimbursement agreement evidencing the obligations secured by the reimbursement mortgage and the bond mortgage note evidencing the obligations secured by the bond mortgage.

Occurrence-based Policy Form

See Section 31.1(c).

OFAC Lists

The OFAC Specially Designated Nationals and Blocked Persons List and the OFAC Consolidated Sanctions List.

Operator

An Operator (sometimes referred to as the “Lessee”) is an entity that operates the Property under a master operating lease. Operating leases are frequently used in the Seniors Housing industry. An Operator may be affiliated with the Borrower or may be an unrelated third-party Operator.

Opinion Analysis

See Section 29.5(c).

Optigo Lender

An Optigo Lender is a lender that meets Freddie Mac's eligibility requirements, including the net worth requirements in Section 3.3, and has been approved by Freddie Mac to sell multifamily Mortgages to Freddie Mac and to service those Mortgages. Optigo Lenders may be approved as one or more of the following designations:

- Optigo Conventional Lender
- Optigo TAH Lender
- ~~Optigo SBL Lender~~
- Optigo Seniors Housing Lender

See Section 2.10 and Chapter 3 for more information concerning Optigo Lenders.

In the Guide, an Optigo Lender is referred to as a Seller/Servicer, Seller or Servicer.

Organizational Chart

An Organizational Chart for the Borrower, Guarantor not in the Borrower's organizational structure, Master Tenant (if applicable) or Operator (if applicable) must include the elements set forth in the Guidance – Organizational Charts that can be found on mf.freddiemac.com.



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.

Origination Date

The Origination Date is the date of the Note.

Participation Certificate

A Participation Certificate represents an undivided interest in specified Mortgages purchased by Freddie Mac from a single Seller, either for cash or in exchange for Participation Certificates, and placed in a discrete pool bearing a unique Participation Certificate pool number. Participation Certificates are offered only in book-entry form.

Pledged Mortgage

See Section 33.1.

Portfolio Manager®

Portfolio Manager® is an online tool used to measure and track energy and water consumption at the Property. Portfolio Manager is located on the ENERGY STAR® website of the EPA.

Potential Life Safety Hazard

A Potential Life Safety Hazard is a hazard with a lower capacity to cause harm or consists of a condition that could become harmful. A Potential Life Safety Hazard is also of concern but does not represent the same immediacy of risk for tenants as an Imminent Life Safety Hazard. Potential Life Safety Hazards include conditions that will be recognized by most residents and avoided, including trip hazards or conditions that represent a risk only in special circumstances, such as an out-of-date fire extinguisher.

Potential Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Potential Life Safety Hazards and the inspector must exercise judgment to determine the Hazard category.

See also Life Safety Hazard.

PR-90 Repairs

See [Sections 62.3\(b\) and 62SBL.3\(b\)](#).

Pre-Approved Transferee

Any person or entity that is pre-approved by lender to assume Ultimate Control (direct or indirect) of Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant.

Preferred Equity

See Section 9.9(b).



Preferred Equity Return

See Section 9.9(b).

Preliminary legal issues memorandum

See Section 6.4.

Preservation Rehabilitation

See Section 19.2(e).

Principal

A Principal, for purposes of Freddie Mac's policy concerning the exclusion of certain persons from participating in transactions or doing business with Freddie Mac, may be:

- A Seller/Servicer, or
- A person with substantial management or supervisory responsibilities within a Seller/Servicer's organization, or
- A person with critical influence on or substantive Control over any material aspect of a Mortgage purchase or Servicing transaction or any function related to such a transaction

There are three categories of principals:

- Seller/Servicers
- Officers, directors, owners, partners, key employees or other persons within a Seller/Servicer's organization who have substantial management or supervisory responsibilities. Suspended or excluded persons within this category are presumed to have critical influence on or substantive Control over all the organization's Mortgage purchase or Servicing transactions.
- Principals, consisting of any other person (whether an individual or an entity) who has a critical influence on or substantive Control over any material aspect of a Mortgage purchase transaction or a Servicing transaction or any function related to such a transaction. Such a Principal may be an employee of a Seller/Servicer, a third-party provider of services to a Seller/Servicer or an employee of a third-party provider of services. Persons who have a critical influence on or substantive Control over Mortgage purchase transactions or Servicing transactions or related functions include loan officers, underwriters, appraisers, inspectors, real estate agents and real estate brokers.

Priority Repairs

See [Sections 62.3\(b\) and 62SBL-3\(b\)](#).



Private Entity

A Private Entity is an entity such as a partnership, limited liability company, private real estate fund, LIHTC fund or private REIT whose shares are not traded on a public exchange. A Private Entity can Control who purchases the ownership interests in such entity.

Private Investment Fund

A U.S. private company that invests capital from different investors in various assets, including direct and indirect equity interests in real estate. To qualify as a Private Investment Fund, the entity must have each of the following:

- A minimum of \$50,000,000 in capital commitments
- Liquid assets of at least \$750,000
- A minimum net worth of \$5,000,000
- A management team with all of the following:
 1. At least 10 years of collective experience managing multifamily properties,
 2. At least 10 multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively
 3. At least \$100,000,000 in multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively

Private Transfer Fee

A Private Transfer Fee is any fee, charge or payment imposed by a Private Transfer Fee Covenant due in connection with a transfer of title to a Property. A Private Transfer Fee is payable each time a Property is transferred for a set period of time or indefinitely. The Private Transfer Fee can be a fixed amount or a percentage of the Property's sale price. A Private Transfer Fee does not include:

- A charge payable to the federal, State or local government
- A charge that defrays the actual cost of the transfer of the Property, such as transfer of membership in a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) or 501(c)(4) organization
- A charge payable to a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) and 501(c)(4) organization that is used exclusively to provide a direct benefit to the Property

Private Transfer Fee Covenant

A Private Transfer Fee Covenant is any covenant, restriction or other similar document that (i) purports to run with the land or to bind current and future owners whether or not such covenant is recorded and (ii) imposes a



Private Transfer Fee upon transfer of all or part of the Property, as defined in 12 C.F.R. Part 1228. A Private Transfer Fee Covenant can be attached to a Property by the original developer or another third party.

Prohibited Substances

Prohibited Substances are any drugs or controlled substances whose use, manufacture, distribution or possession are prohibited by any law, whether federal, state or local law.

Project Loan

For a Cash Funded Forward Commitment, the Project Loan is Freddie Mac's loan to the construction lender.

Property

The Property is the land, improvements and fixtures that are, or will be, subject to the lien of a Mortgage.

Property Improvement Alterations

Alterations and additions to the improvements existing at or upon the Property, as more fully defined in the Loan Agreement. Repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents are not considered to be Property Improvement Alterations.

Property Improvement Alterations Notice

A notice to the lender from the Borrower pursuant to the terms of the Loan Agreement that the Borrower intends to begin the Property Improvement Alterations specified in the Property Improvement Alterations Notice.

Property Reporting System

See Section 40.2.

Public Company

A company whose shares are traded on a United States public exchange or an over-the-counter exchange with no control over who purchases its shares after the initial public offering, or a pension fund that is controlled by a United States municipal, county, state, or federal government unit or any subsidiary thereof.

Public Records Searches

See Section 2.28.

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.

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.

Quote

A Quote is Freddie Mac's non-binding statement of proposed Mortgage Financial Terms. A Quote does not require the Seller to submit a full underwriting package, nor does it bind Freddie Mac to purchase a Mortgage.

Rapid Growth Sponsor

See [Sections](#)~~Section~~ 9.2(d) ~~and 9SBL.2(c)(3)~~.

Rate Lock

Rate Lock is the procedure in which Freddie Mac agrees to hold the yield rate on the applicable U.S. Treasury index, net spread to Freddie Mac and Servicing Spread for a fixed rate Mortgage (Interest Rate Lock) and to hold the net spread to Freddie Mac and Servicing Spread for a Floating-Rate Mortgage (Spread Rate Lock).

Rate Lock Call

The Seller must call the person whose name is set forth in the Letter of Commitment or early rate lock application to Rate Lock and confirm all of the other terms of the Mortgage, including the term, amortization period and prepayment period. Even though the interest rate for a Floating-Rate Mortgage cannot be Rate Locked, the Seller must complete a Rate Lock Call in order to confirm all of the terms of the Mortgage.

Rate Reset

A Rate Reset Mortgage is a Mortgage with a five-year term, during which there is an option to extend the term of the Mortgage for an additional five years at a reset interest rate.

Rating Agencies

Rating Agencies are Fitch, Inc.; Moody's Investors Service, Inc.; Dominion Bond Rating Service (DBRS); Realpoint LLC; or Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor entity of the foregoing, or any other nationally recognized statistical rating organization.

Real Estate Mortgage Investment Conduit (REMIC)

As defined in Section 860D of the Internal Revenue Code (or any successor thereto).

Real Estate Owned

Real Estate Owned is property acquired through foreclosure or deed-in-lieu of foreclosure.

Redemption Date

See Section 9.9(c).



Regulatory Agreement

See Section 23.3.

Rejection; Reject

A Rejection is Freddie Mac's determination that it will not accept the early rate lock application submitted by the Seller.

Rental Assistance Contract

See Section 23.3.

Repair Reserve

A Repair Reserve is a Reserve established to hold funds allocated for the completion of repairs, rehabilitation or incomplete items of construction. The Repair Reserve can be established by a Repair Escrow Agreement, a Repair and Escrow Agreement or by a Rider to the Loan Agreement that establishes a Repair Reserve.

Replacement Reserve

A Replacement Reserve (also referred to as a Replacement Reserve Fund or Replacement Reserve Escrow) is a Reserve established to hold funds allocated for the replacement of capital items. A Replacement Reserve can be established by a Replacement Reserve Agreement or by a Rider to the Loan Agreement establishing a Replacement Reserve.

Required Net Yield

The Required Net Yield is the amount of interest Freddie Mac receives from each Mortgage it purchases.

Reserve

Reserve is all funds, other than principal and interest, collected to cover expenses to be paid under the Mortgage, including hazard insurance premiums and taxes, special assessments, ground rents, water and sewer charges, any other charges that are or may become first liens on the Property, payments for fees for a subsequent third-party interest rate cap agreement, and any other escrow or reserve established under the terms of the Mortgage or the Loan Documents.

~~Restricted Multiple Asset Entity~~

~~As further defined in Chapter 9SBL, a Restricted Multiple Asset Entity is a Borrower that is structured so that it:~~

- ~~• Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property (as defined in the Security Instrument), the Permitted Property (as defined in the Loan Agreement—SBL), and such Personality (as defined in the Security Instrument) as may be necessary for the operation of the Mortgaged Property and the Permitted Property and will conduct and operate its business as presently conducted and operated~~
- ~~• Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and the Permitted Property and activities incidental to such ownership, operation and maintenance~~



Restricted Non-Residential Use

A Restricted Non-Residential Use is any use or operation of the leased premises that may adversely impact (i) the health and safety of the tenants or other individuals at the Mortgaged Property, or (ii) the value, occupancy or rents of the Mortgaged Property, all as determined by Lender in Lender's discretion. Restricted Non-Residential Uses include the following:

- The disposition, distribution or sale of Prohibited Substances or any establishment whose primary business is the sale of merchandise normally used or associated with Prohibited Substances
- Any establishment whose primary business is the disposition, distribution, sale or viewing of adult or pornographic materials or activities, including strip clubs and adult bookstores
- Any use involving the disposition or sale of Hazardous Materials
- Any establishment whose primary business is gambling or off-track betting
- Any establishment whose primary business is the sale of alcoholic beverages for off-site consumption

Restricted Party

See Section 7.1.

Restricted Party Lists

See Section 7.1.

Risk Rating

A designation Freddie Mac gives to a Mortgage to reflect Freddie Mac's current risk outlook associated with the Mortgage. Risk Ratings for all Mortgages in the retained portfolio are currently between three and 10 with three deemed the lowest level of risk associated with a Mortgage and 10 being the highest level of risk.

SBL Mortgage

A Mortgage originated under the SBL Purchase Product.

SBL Physical Risk Report

A report that evaluates the property condition and environmental hazards of a Property securing a Small Balance Loan (SBL) Mortgage, submitted using Form 1104.

SBL Purchase Product

An SBL Mortgage purchased from an SBL Seller/Servicer that had a principal balance between \$1 million and \$7.5 million and met certain additional criteria, as specified at the time of origination. Freddie Mac is longer accepting SBL applications as of April 30, 2026.



Loans of this size may be purchased by Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program, described in Chapter 17. See Chapter 46SBL for Seller/Servicer obligations regarding the repurchase of defaulted SBL Mortgages, loss sharing and the securitization process.

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(c).

Scope Issues

See Section 61.2(b).

Securitization

Securitization is the transaction in which the Note for a Mortgage is assigned to a REMIC (Real Estate Mortgage Investment Conduit), grantor trust or partnership trust.

Security Incident

See Section 2.26(c).

Security Instrument

A Security Instrument is an instrument (mortgage, deed of trust, deed to secure debt) creating a valid lien on real estate.

Seller

Unless the context otherwise requires it, the term "Seller," as used in the Guide and the other Purchase and Servicing Documents, refers to an Optigo Lender or a Multifamily Structured Transaction Lender acting in its capacity as a Seller of Mortgages to Freddie Mac.

Seller/Servicer

Unless the context otherwise requires it, the term "Seller/Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to a Seller, a Servicer or an Optigo Lender.

Seller Application

Seller Application is the application between the Seller/Servicer and the Borrower for the Seller/Servicer to make a loan to the Borrower to be secured by the Property and to be sold to Freddie Mac.



Seller Representative

See Section 11.8.

Seniors Housing Liability Assessment

See Section 21.2.

Seniors Housing Mortgage

See Section 21.2.

Senior Management

A natural person who serves as one of the following positions for a Seller/Servicer:

- Owner
- President
- Vice President or other officer in charge of managing or overseeing any aspect of the Seller/Servicer's Freddie Mac business
- Chief Executive Officer (CEO)
- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- Chief Information Officer (CIO), Chief Technology Officer (CTO), or Chief Information Security Officer (CISO)
- Chief Risk Officer (CRO)
- Corporate Secretary
- General Counsel
- Director
- Chairman of the Board
- General Partner; or
- Member or manager of an LLC

Servicer

Unless the context otherwise requires it, the term "Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to an entity acting in its capacity of Servicing multifamily Mortgages for Freddie Mac. A Servicer may be an Optigo Lender, a Multifamily Structured Transaction Seller/Servicer, a Servicer approved on a Servicing-only basis, or a Servicing Agent.

Servicer Delegation Requirement

The following requirement that must be satisfied in order for a certain servicing activity to be eligible for delegation to a Servicer with respect to a Mortgage:



The Mortgage must either be: (i) owned by Freddie Mac, provided the Servicer has not received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization, (ii) in a 55-Day Multi PC, or (iii) in a Securitization where Freddie Mac is the master servicer.

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.

Short Term Rental Assistance Contact

See Section 23.3(a).

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, heating, ventilation and cooling (HVAC), electrical, plumbing, and elevators
- Defects that negatively impact the Property's habitability or income potential

Single Asset Entity

A 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/Service providers 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/Service providers jointly in the origination, delivery and purchase of TEL Mortgages.

Single Purpose Entity

An Single Purpose Entity is a Borrower or SPE Equity Owner that is structured with a single purpose and usually owns only one asset to avoid becoming insolvent due to its owner's conduct and that is insulated from harmful effects of the insolvency of others.

Skilled Nursing Property

See Section 21.2.

~~Small Balance Loan Production Pipeline Manager~~

~~A Multifamily Software Application that enables Sellers and Freddie Mac to monitor the progression of Small Balance deals.~~

Soft Subordinate Debt

See Section 19.2(f).

SPE Equity Owner

An SPE Equity Owner is a Delaware single member limited liability company or a corporation that acts as a general partner of a limited partnership Borrower or as the managing member of a limited liability company Borrower. The concept of an SPE Equity Owner is not applicable if the Borrower is a Delaware single member limited liability company that is a Single Purpose Entity or if the Borrower is a corporation.



Special Moisture or Mold Issues Inspection

A Special Moisture or Mold Issues Inspection is a specific inspection protocol, set forth in Section 8.3(c), which is used to evaluate existing moisture or Mold issues.

Special Servicing Request

A Special Servicing Request is a Borrower request for Freddie Mac approval of certain Borrower actions. For example, a Special Servicing Request is required for a Transfer of Ownership, Subordinate Financing, a request for a partial release, the grant of an easement, certain changes to the Repair Reserve or Replacement Reserve, and a waiver of the insurance requirements.

Specific Insurance Limit

See Section 31.1(c).

Sponsor Meeting

See Section 11.8.

Sponsor Representative

See Section 11.8.

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.

Stand-Alone Memory Care Property

See Section 21.2.

Student Housing Property

A Student Housing Property is a multifamily Property with a student occupancy rate of more than 50 percent. These Properties cater to a student tenant base because of proximity to colleges or universities and may have been constructed as "Purpose Built/Dedicated Student Housing," or they may be conventional multifamily Properties currently targeted for student tenants.

Subordinate Financing

Subordinate Financing is any Mortgage or other lien that is subordinate to the lien of the first Mortgage on the Property.

Substantial Rehabilitation

The expenditure of more than \$35,000 per unit in rehabilitation and/or work involving major building systems or structural components that coincide with significant building code compliance repairs/upgrades or that will displace significant numbers of tenants for a material amount of time.



Supplemental Mortgage

See Section 20.1.

Suspicious Activity

Activity that a Seller or Servicer reasonably believes may involve actual or possible money laundering, terrorist financing, mortgage-related fraud or other financial crimes, and which is undertaken by any party involved in any stage of the origination, underwriting, or Servicing of a Freddie Mac Mortgage.

Targeted Affordable Housing Mortgage

A Mortgage originated under either of the following:

- Targeted Affordable Housing (TAH) prior approval model, described in the Multifamily Seller/Servicer Guide
- Delegated Underwriting Model for TAH, described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide)

Tax Exempt Bond Credit Enhancement Mortgages

Tax Exempt Bond Credit Enhancement Mortgages are Mortgages that are used as collateral for tax exempt bond transactions in which Freddie Mac has entered into a Credit Enhancement Agreement in a specially negotiated transaction.

Tax-Exempt Loan

A Tax-Exempt Loan is originated under Chapter 25 or Chapter 25A.

Tenant-Based Rental Assistance Vouchers

See Section 23.4

Title Agent

An approved agent or agency authorized by the Title Insurance Underwriter to write or issue a Title Policy.

Title Company

Individually and/or collectively, any Title Insurance Underwriter, Title Agent, and/or escrow and settlement company that is issuing a Title Policy, recording documents and/or performing escrow and settlement functions in connection with a Mortgage transaction. When a Title Insurance Underwriter and a Title Agent are handling separate matters for a Mortgage closing, the term Title Company will include both such parties.

Title Insurance Underwriter

An entity that underwrites and issues, or authorizes issuance of, a Title Policy or, as applicable, reinsurance or coinsurance for a Title Policy, that is the party insuring the risks addressed by the Title Policy or such reinsurance or coinsurance, and which is licensed to do business in the jurisdiction where the Property is



located (unless such jurisdiction is Iowa) and regularly issuing title insurance in such jurisdiction. A Title Insurance Underwriter may also authorize its Title Agent to write a Title Policy.

Title Policy

A single paid-up loan title insurance policy meeting the requirements in Chapter 29 and the [Title Policy and Endorsement Requirements](#).

Total Insurable Value

See Section 31.1(c).

Transfer of Ownership

For the purposes of Chapter 41, Transfers of Ownership and Chapter 41SBL, SBL Transfers of Ownership is any conveyance or other transfer of (a) an interest in the Property (including fee simple title or a Mortgage or other lien) or (b) an interest in the Borrower entity, which conveyance or transfer, if carried out without Freddie Mac's prior written approval, would violate a due-on-transfer provision or prohibition on Subordinate Financing contained in the Loan Documents.

Transfer of Servicing

See Section 42.2(a).

Ultimate Control

Ultimate persons or entities that have Control (direct or indirect) of an entity. A party with Ultimate Control must be one of the following:

- An individual,
- Private Investment Fund,
- A revocable trust (including the settlor/grantor and trustee of the revocable trust), or
- A U.S. public company (U.S. publicly traded entity).

If an individual or entity is a Control party in a Private Investment Fund which is a Key Borrower Principal, then that individual or entity must be disclosed and will be subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in the Guide, including those identified in Chapters 2, 9, 41, 43 and 44.

Unfunded Forward Commitment

See Sections 17A.1, 19A.1(b), 25A.2 and 28A.2.

Utility Efficiency

Utility Efficiency is a Freddie Mac suite of offerings for Borrowers who have made or plan to make their Properties more energy and water efficient.



Utility Efficiency Certificate

Utility Efficiency Certificate is available for Properties that: (i) have a building performance certificate or rating as set forth in Section 55.2 and (ii) meet Freddie Mac affordability requirements.

Utility Efficiency Certified

Properties are considered Utility Efficiency Certified when they have a Utility Efficiency Certificate.

Utility Efficiency Consultant

Utility Efficiency Consultant is a certified environmental design/inspection or engineering firm that meets the requirements set forth in Chapter 65.

Utility Efficiency Improvements

Utility Efficiency Improvements are the energy and water conservation measures selected by the Borrower from the list of qualifying conservation measures identified in a Green Assessment. These selected conservation measures are identified as Utility Efficiency Improvements in the Utility Efficiency Improvement Rider to the Loan Documents.

Utility Efficiency Loan

Utility Efficiency Loan is an option available when a Borrower commits to making Utility Efficiency Improvements identified in a Green Assessment.

Value-Add Mortgage

See Section 17.2.

Web Searches

Web Searches are search engine reviews that are performed to identify Financial Crimes, litigation, negative credit events and events that would create reputational risk for Freddie Mac.

Weighted-Average Coupon

The Weighted-Average Coupon of any group of Mortgages is calculated by:

- Multiplying the purchased unpaid principal balance of each Mortgage by the Coupon Rate of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of the products by the aggregate purchased unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the Weighted-Average Coupon is conclusive.



Weighted-Average Remaining Maturity

The Weighted-Average Remaining Maturity of any group of Mortgages is calculated by:

- Multiplying the unpaid principal balance of each Mortgage by the number of months remaining to maturity of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of all the products by the aggregate unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the Weighted-Average Remaining Maturity is conclusive.

Workforce Housing Preservation

Workforce Housing Preservation is a Conventional Mortgage product designed to preserve middle-income rental housing stock by restricting rents through Borrower-elected rent restrictions in the Loan Agreement or third-party, non-governmental rent restrictions subject to Freddie Mac review and approval of the third-party agreement terms. See Section 17.6.

Yield Maintenance Period

The Yield Maintenance Period is that period of time specified in certain Notes or Riders to Notes during which the Borrower's prepayment of the Mortgage results in its obligation to pay a Yield Maintenance Prepayment Premium.

Yield Maintenance Prepayment Premium

The Yield Maintenance Prepayment Premium is a prepayment premium charged in connection with any prepayment of certain Mortgages during the Yield Maintenance Period.

Yield Rate

The Yield Rate is the yield on the applicable U.S. Treasury.

Multifamily Seller/Service Guide

Glossary and List of Commonly Used Acronyms



Commonly Used Acronyms

ACM

Asbestos-containing materials

AIF

Annual Inspection Form

AMI

Area Median Income

AML

Anti-Money Laundering

ARM

Adjustable-Rate Mortgage

ASTM

American Society for Testing and Materials. See Chapters 61, 62, 64 and 66.

CCRC

Continuing Care Retirement Community

C-PACE

Commercial Property Assessed Clean Energy

Co-op

Cooperative

CRT

Consent Request Tracker

DCR

Debt Coverage Ratio



DBRS

Dominion Bond Rating Service

DDLPI

Due Date of Last Paid Installment

DMS

Document Management System

ECOI

Equity Conflict of Interest

EGI

Effective Gross Income

EPA

The United States Environmental Protection Agency

EPSH

Employer Enabled Permanent Supportive Housing

FAM

Freddie Mac Access Manager

FEMA

Federal Emergency Management Agency

FHA

Federal Housing Administration

FIC

Fee Inspector Company

ICT

Insurance Compliance Tool



IV

Insurable Value

LBP

Lead-based paint

LIA

Legal Issues Analysis

LIHTC

Low-Income Housing Tax Credit

LODR

Letter of Determination Review

LOMA

Letter of Map Amendment

LOMR

Letter of Map Revision

LST

Loan Submission Template

LTV

Loan-to-Value

MAE

~~Multiple Asset Entity~~

MES

Multifamily Eligibility System

MHC

Manufactured Housing Community



MHROC

Manufactured Housing Resident-Owned Community

MMP

Moisture Management Plan

MSIA

Multifamily Securities Investor Access tool

MTNA

Mortgage Transaction Narrative Analysis

NFIP

National Flood Insurance Program

NOI

Net Operating Income

OFAC

Office of Foreign Assets Control

OUS

Origination and Underwriting System

PC

Participation Certificate

PCB

Polychlorinated biphenyls

PLIM

Preliminarily Legal Issues Memorandum

PPM

~~Small Balance Loan Production Pipeline Manager~~

PRS

Property Reporting System



RAC

Rental Assistance Contract

RCV

Replacement Cost Value

REIT

Real Estate Investment Trust

REMIC

Real Estate Mortgage Investment Conduit

REO

Real Estate Owned

Restricted MAE

~~Restricted MAE~~

S&P

Standard and Poor's

SAE

Single Asset Entity

SBL

Small Balance Loan

SFHA

Special Flood Hazard Area

SOV

Schedule of Values

SPE

Single Purpose Entity



TAH

Targeted Affordable Housing

TEL

Tax-Exempt Loan

TIV

Total Insurable Value

UPB

Unpaid Principal Balance

WAC

Weighted Average Coupon

WARM

Weighted Average Remaining Maturity