

Appendix B to December 12, 2024 Bulletin: Redlined Guide Chapter Changes

A combined redlined file of all Guide chapter changes
made with the December 12, 2024 Bulletin



Redlined Guide Chapter Changes

Compilation of redlined Guide chapters

This PDF is a compilation of redlined changes to each revised Guide chapter, the Glossary and Directory that were announced with the December 12, 2024 Bulletin. It does not contain redlined changes of the full Guide. The redlined changes are only of the chapters that have been revised with this Bulletin.

Review in conjunction with the Bulletin and Guide Updates Spreadsheet

These redlined changes must be reviewed in conjunction with the December 12, 2024 Bulletin and Appendix A to December 12, 2024 Bulletin, Guide Updates Spreadsheet. The redlined changes may appear more extensive than the change is, as text may have moved or formatting may have changed. The footers are updated by chapter.

Official electronic version of the Guide available on AllRegs®

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Multifamily Seller/Servicer Guide

Chapter 2

General Freddie Mac Policies



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2.1 ~~Notification concerning Principals (04/15/24)~~ Notification concerning Principals (12/12/24)

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

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

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

- ~~Notify in writing the Senior Vice President, Freddie Mac Multifamily at the following address: Notify the Multifamily Fraud Investigative Unit in writing at MF_Mortgage_Fraud_Reporting@freddiemac.com. Such knowledge includes knowledge of a criminal conviction or civil judgment against any Principal for commission of fraud or a criminal offense in connection with negotiating, obtaining, attempting to obtain, or performing a public or private agreement or transaction; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, perjury, making false statements, misrepresentation, receiving stolen property, conspiracy, making false claims, or obstruction of justice.~~

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

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

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

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

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

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

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

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

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

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

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

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

2.7 ~~Freddie Mac audit (09/14/23)~~ Freddie Mac 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 (09/14/23)~~ 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/Service.

[See also the provisions in Chapters 46SBL and 47.](#)

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

Freddie Mac may provide the Seller/Service 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/Service 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/Service must not release or disclose or permit the release or disclosure of all or any part of the confidential information or the derivative information for any purpose at any time except to the extent:
 - Allowed by this section
 - Expressly required or consented to by Freddie Mac in writing, or
 - Ordered by a court or administrative agency

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

2. Unless the Seller/Service has obtained prior written consent from Freddie Mac, the Seller/Service 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/Service must mark "Confidential" in a prominent location on all confidential information, derivative information and on all copies.
3. The Seller/Service may provide confidential information or derivative information to those officers, directors, principals, partners or employees of the Seller/Service and its regulators, auditors, counsel and accountants to the extent necessary to Service the Mortgages. The Seller/Service must notify any individuals receiving confidential information or derivative

information that the individual has the same obligations as the Seller/Servicer to keep the confidential information or derivative information confidential.

4. Confidential information and derivative information do not include any information that is:
 - Generally available to the public
 - Provided to the Seller/Servicer by a third party that is not itself under a confidentiality obligation with respect to the information, or
 - Independently developed by the Seller/Servicer without use of any portion of the confidential information

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

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

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

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

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

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

a. Optigo® Lenders (06/27/19)

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

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

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

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

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

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

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

- The Optigo Lender has not modified any Freddie Mac Multifamily or Optigo trademarks or registered marks.
- The Optigo Lender has not changed any program terms.
- The Optigo Lender has provided Freddie Mac with a copy of the materials prior to their use.
- Freddie Mac has approved the provided materials.

4. Approval to link to online Freddie Mac resources

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

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

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

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

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

c. Other entities (06/27/19)

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



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

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

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

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

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

Freddie Mac may withdraw an approval to use the Freddie Mac Optigo Lender designation, the Freddie Mac Multifamily or Optigo logo, the Freddie Mac Multifamily or Optigo name, graphic, web link or product terms at any time upon 10 Business Days' prior notice. After receipt of such notice, the Optigo Lender must discontinue use of the designation, logo, name, graphic, product terms and/or web links, as applicable. However, if the withdrawal of the consent is required by Freddie Mac's regulators or any other governmental entity, Freddie Mac may withdraw the consent with such prior notice as is commercially reasonable or practicable under the circumstances. Upon receipt of notice that Freddie Mac is withdrawing its consent at the requirement of a regulator or other government entity, the Optigo Lender must promptly and diligently use good faith efforts to discontinue use of the product terms and/or web links, as applicable.

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

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

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

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

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

- Consent Request Tracker (CRT)
- Document Management System (DMS)
- Freddie Mac Access Manager (FAM)
- General Loan Information (GLI)
- Insurance Compliance Tool (ICT)



- Multifamily Eligibility System (MES)
- Multifamily Securities Investor Access tool (MSIA)
- Multifamily Seller/Servicer Guide via AllRegs® Online (Guide)
- myOptigoSM
- Origination and Underwriting System (OUS)
- Property Reporting System (PRS)
- Small Balance Loan Production Pipeline Manager (PPM)

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

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

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

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

The Seller/Servicer'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/Servicer's warranties (09/30/20)

The Seller/Servicer 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/Servicer 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/Servicer of any such warranty, or
- Any misrepresentation by the Seller/Servicer

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

In no event will Freddie Mac be liable to the Seller/Servicer 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/Servicer for third-party claims made against the Seller/Servicer arising out of, or



relating to, the Seller/Service's use of or inability to use the Freddie Mac Multifamily Software Applications and/or the Freddie Mac Approved Third Party Applications.

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

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

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

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

2.13 ~~System administrator requirements (06/17/21)~~ System administrator requirements (12/12/24)

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

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

- The Freddie Mac Multifamily Software Applications and the Freddie Mac Approved Third Party Applications, as listed in Section 2.12(a)
- Multifamily secure content on mf.freddie.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 (06/17/21)~~ System administrator responsibilities (12/12/24)

The system administrator is required to identify:

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



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

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

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

- Revoke the user's access in FAM
- Revoke the user's access to OUS in OUS
- Submit the DMS New User Setup, Reactivation and Deactivation Form to MF_Service_Desk@freddiemac.com to request removal of the employee or vendor from DMS
- Submit the Insurance Compliance Tool (ICT) User Access Request to MF_Service_Desk@freddiemac.com to request removal of the employee's or vendor's access from the ICT
- Revoke the user's access information in PRS
- Revoke the user's access information in MES
- Revoke the user's access information in CRT

- Revoke the user's access information in each applicable Freddie Mac Approved Third Party Application, including Optigo Happy Inspection Application, powered by HappyCo

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

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

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

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

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

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

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

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

2.14 Electronic Signatures, Electronic Records, and data security (06/13/24)

a. Overview (05/05/17)

Freddie Mac may require or permit Seller/Service's to conduct certain transactions with Freddie Mac electronically. Freddie Mac will identify the particular transactions that will be

required or permitted to be Electronic Transactions in the Guide, in any other Purchase and Servicing Documents or by written instructions provided to each Seller/Servicer. Electronic Transactions will be subject to this section and all other applicable sections of the Guide and the Purchase and Servicing Documents.

b. Definitions (06/30/16)

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

- **Computer Systems**

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

- **Computer Contagion**

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

- **Electronic**

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

- **Electronic Record**

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

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

- **E-SIGN**

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



- **Electronic Signature**

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

- **Electronic Transaction**

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

- **Host**

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

- **ISP**

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

- **Record**

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

- **UETA**

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

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

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

d. Security standards (06/13/24)

1. Minimum standards

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

1. Protect and safeguard the Seller/Serviceicer's Electronic Signature from loss, theft or unauthorized disclosure or use; and



2. Prevent the infiltration and infection of the Seller/Service's or Freddie Mac's Computer Systems by a Computer Contagion.

2. Restricted access from foreign countries or regions

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

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

3-1. Minimum security standards

- The Seller/Service's 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's from any of its obligations set forth in this section
- The Seller/Service's 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

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4-2. Notification of Security Incident

If the Seller/Service's 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's 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).

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5-3. Failure to adopt or maintain standards

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

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6-4. Seller/Service's responsibility

The Seller/Service's will be fully responsible for protecting and safeguarding its Computer

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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.

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

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

g. Indemnification (06/30/16)

The Seller/Service agrees to indemnify, defend and hold Freddie Mac and any Freddie Mac Host harmless from and against any and all losses, costs, claims, actions, damages (including, but not limited to, indirect, incidental, special or consequential damages, whether foreseeable or not), liabilities, judgments, legal fees, counterclaims or defenses to which



Freddie Mac and/or any Freddie Mac Host may become subject or that arise out of or that occur in connection with:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

m. Governing law (06/30/16)

The law governing Electronic Transactions will be E-SIGN and/or the UETA, as enacted by an applicable State. Under no circumstances will any Electronic Transaction be governed by

the Uniform Computer Information Transactions Act (UCITA), unless Freddie Mac expressly agrees in a written or Electronic amendment to the Purchase and Servicing Documents.

n. Conflict (06/30/16)

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

2.15 Standard of care (02/07/08)

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

2.16 Payment instructions (04/30/19)

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

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

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

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

2.18 ~~Freddie Mac Exclusionary List (08/15/24)~~ Freddie Mac Exclusionary List (12/12/24)

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 (08/15/24)~~ Use of the Exclusionary List (12/12/24)

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

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

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

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

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

The Seller/Servicer must ensure that no individual or entity whose name is on the Exclusionary List is employed by or contracted to the Seller/Servicer in connection with the origination or servicing of Freddie Mac Mortgages, including the Seller/Servicer's own officers, directors, employees, and any third parties to whom origination or Servicing



~~functions regarding Freddie Mac Mortgages are outsourced, as more particularly set forth below.~~

~~The Seller/Servicer must ensure that no individual or entity whose name is on the Exclusionary List is employed by or contracted to the Seller/Servicer for the purpose of working on sales or servicing transactions involving Freddie Mac loans. The Seller/ Servicer must screen each individual or entity that:~~
The Seller/ Servicer must screen each individual or entity that has a substantive role in the origination or Servicing of a Freddie Mac Mortgage, which includes, without limitation, any individual or entity that:

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

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

- A. Seller/ Servicer must use the Exclusionary List to screen each applicable individual and entity in connection with the origination of a Mortgage and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File in accordance with the requirements set forth in the Guide and the Public Records Search Requirements. See also Section 2.28.
- B. Prior to final delivery of the Mortgage to Freddie Mac, the Seller must screen each of the following and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File:
 - Broker/ correspondent
 - Appraiser (the entity and any individual who signs the Appraisal)
 - Title insurer (the entity which will issue the title policy)
 - Closing agent (the entity and any individual responsible for escrowing any funds in connection with the origination of the Mortgage)

- Surveyor (the entity and the surveyor who signs the survey)
 - Property condition consultant (the entity and engineer who signs the property condition report)
 - Environmental consultant (the entity and any environmental consultant who signs the environmental report)
 - Seller/Servicer's counsel (the firm and any attorney who prepares the preliminary legal issues memorandum, prepares any Loan Documents, manages the closing or provides any certification to Freddie Mac)
 - Borrower's counsel (the firm and any attorney who signs a legal opinion or provides any certification to the Seller and/or to Freddie Mac)
 - Guarantor's counsel (the firm and any attorney who signs a legal opinion or provides any certification to the Seller and/or to Freddie Mac)
- C. In addition to the above, for a Targeted Affordable Housing Mortgage originated under a Forward Commitment, prior to final delivery of the Mortgage, the Seller must screen the Architectural Consultant (the entity, the on-site inspector and any consultant who signs the construction reports described in Section 63.1) and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File.

3. Screen parties involved in a Transfer of Ownership.

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

- A. The Servicer must use the Exclusionary List to screen each applicable individual and entity involved in the Transfer of Ownership or in the underlying real estate transaction in accordance with requirements set forth in the Guide and the Public Records Search Requirements. See also Section 2.28.
- B. Prior to the closing date of the Transfer of Ownership, the Servicer must screen each of the following and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File, if applicable for the particular transaction:
- Appraiser (the entity and any individual who signs the Appraisal)
 - Title insurer (the entity which will issue the title policy)
 - Closing agent (the entity and any individual responsible for escrowing any funds in connection with the Transfer of Ownership)
 - Surveyor (the entity and the surveyor who signs the survey)



- Property engineer (the entity and engineer who signs the property condition report)
- Environmental consultant (the entity and any environmental consultant who signs the environmental report)
- Seller/Servicer's counsel (the firm and any attorney who prepares the preliminary legal issues memorandum, prepares any Loan Documents, manages the closing or provides any certification to Freddie Mac)
- New Borrower's counsel
- New guarantor's counsel

4. Screen proposed new property management companies.

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

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

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

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

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



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

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

~~f. Waiver of Seller representations and warranties regarding Persons on the Exclusionary List (09/28/18)~~ Waiver of Seller representations and warranties regarding Persons on the Exclusionary List (12/12/24)

~~Before the Origination Date of a Mortgage, a Seller may contact Freddie Mac to request a waiver of representation and warranty obligations under Section 5.2(g) with respect to the Mortgage. The Seller must make such request to the Freddie Mac Fraud Mailbox at mortgage_fraud_reporting@freddiemac.com or alternatively may make such request by fax or regular mail to the Investigation Unit. Before the Origination Date of a Mortgage, a Seller may contact Freddie Mac to request a waiver of representation and warranty obligations under Section 5.2(g) with respect to the Mortgage. The Seller must make such request to the Freddie Mac Multifamily Fraud 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 (09/28/18)~~ Waiver of Servicer representations and warranties regarding the Exclusionary List (12/12/24)

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

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

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in which case the warranty concerning the involvement of the specified excluded person or entity will not be applicable to such transaction. All other requirements of the Purchase Documents relating to the Servicing of the Mortgage will remain in full force and effect. Freddie Mac's decision regarding the waiver of such warranties is within its sole discretion.

i. ~~Reporting obligations of the Seller and Servicer (10/07/11)~~ Reporting obligations of the Seller and Servicer (12/12/24)

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

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

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

k. Indemnification (06/29/18)

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

l. Remedies (10/07/11)

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

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

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

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

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

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

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

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

1. Training

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

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

2. Monitoring

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

3. Non-compliance

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

b. Chief Compliance Officer (01/01/25)

[The changes to this Section 2.19\(b\), as announced in the June 13, 2024 Bulletin, are effective January 1, 2025.](#)

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

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

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

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

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

c. ~~Prevention, detection and reporting of fraud and other Suspicious Activity; Restricted Vendor List (08/15/24)~~ Prevention, detection and reporting of fraud and other Suspicious Activity; Restricted Vendor List (12/12/24)

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

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

2. ~~It is also important for Seller/Servicers to know the parties with whom they do business. Each Seller/Servicer must approve, evaluate, and monitor appraisers and any third party or vendor to whom functions relating to a Mortgage or REO are outsourced or assigned, and must consult the~~ It is also important for Seller/Servicers to know the parties with whom they do business. Each Seller/Servicer must approve, evaluate, and monitor appraisers and any third party or vendor to whom functions relating to origination or Servicing a Mortgage or REO are outsourced or assigned, and must consult the Multifamily Restricted Vendor List each such vendor. (See Sections 29.1(c), 29SBL.1(c), 60.4(c), 61.17(e) and 62.8(e)). The Multifamily Restricted Vendor List is made available to Seller/Servicers at mf.f for each such vendor. (See Sections 29.1(c), 29SBL.1(c), 60.4(c), 61.17(e) and 62.8(e)). The Multifamily Restricted Vendor List is made available to Seller/Servicers at mf.freddiemac.com for the sole purpose of ensuring that an unacceptable third party or vendor does not perform services in connection with Multifamily Mortgage transactions and will constitute "Confidential Information" as defined in Section 2.8.

Freddie Mac's acceptance of the engagement of any specific third-party or vendor may be subject to such additional terms and conditions as Freddie Mac deems necessary,

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reasonable, or appropriate in Freddie Mac's sole discretion. When applicable, Freddie Mac identifies these third-parties and vendors as Third-Party Vendors on the "Vendors With Conditions List," which is attached as a schedule to the Multifamily Restricted Vendor List. These parties may continue to be engaged by Borrowers or Seller/Serviceicers but will be subject to the additional conditions described in the Vendors With Conditions List.

2.20 ~~Business continuity and recovery (06/13/24)~~Business continuity and recovery (12/12/24)

a. ~~Business Continuity Plan (06/13/24)~~Business Continuity Plan (12/12/24)

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

~~The Seller/Serviceicer 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:~~
Seller/Serviceicers 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/Serviceicer'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/Serviceicer facility
- Geographically dispersed work areas and resources available in the event of a regional disruption
- ~~Environmental controls to monitor, mitigate and protect the organization with regard to a loss of connectivity, access to, or integrity of, information and damage caused by natural disasters or manmade incidents such as fire, earthquake, flood, hurricane, tornado or weather related adverse conditions~~

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- 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

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

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

b. ~~Business Disruption notification requirements (10/19/23)~~ Business Continuity Plan training (12/12/24)

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

Seller/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 (12/12/24)

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

~~If, at any time during the investigation of the Business Disruption, there is reason to believe that there has been any unauthorized access to, or acquisition of, data or computing resources that may compromise the security, confidentiality, availability, integrity or privacy of Freddie Mac information (examples include a phishing email or malware attack, etc.) ("Security Incident"), the Seller/Servicer must follow the requirements in Section 2.26(c). 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/Service must...	
1.	Immediately, and in no event later than 24 hours after the Business Disruption is discovered notify Freddie Mac of the Business Disruption via email at multifamily_eligibility@freddiemac.com and:
1a.	Provide the name, phone number and email address of the contact leading the Business Disruption investigation
1b.	Promptly investigate, correct and/or mitigate the Business Disruption at the Seller/Service's expense, including by identifying Freddie Mac information affected by the Business Disruption and preventing the continuation and recurrence of the Business Disruption
1c.	Provide Freddie Mac with such information as Freddie Mac may reasonably request to evaluate the effect of the Business Disruption on Freddie Mac and Freddie Mac's operations
1d.	Provide Freddie Mac via email at multifamily_eligibility@freddiemac.com with all details of the Business Disruption known at that time and related internal and external investigations, including all tactics, techniques and procedures for addressing and resolving the Business Disruption
2.	Once known, email Freddie Mac at multifamily_eligibility@freddiemac.com with details characterizing any anticipated potential damage estimates (including reputational), what actions are being taken to protect individuals and business assets in the future, and any resulting after-action reports generated
3.	Provide to Freddie Mac updates with details on progress made since the last update until the Business Disruption is fully resolved and closed

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

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

2.22 ~~Anti-money laundering compliance (02/15/21)~~ Anti-money laundering compliance (12/12/24)

~~Freddie Mac requires Seller/Service subject to the anti-money laundering provisions of the Bank Secrecy Act to establish and maintain a compliance program that ensures compliance with all applicable provisions of the Bank Secrecy Act and implementing federal regulations. Such Seller/Service must, as permitted by law, notify the MF Asset Management Operations Fraud Investigation Unit, in accordance with Section 7.2, within seven Business Days of confirmation of~~

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

2.23 Office of Foreign Assets Control (OFAC) compliance (08/15/24)

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

It is the Seller/Servicer's responsibility to determine compliance with these OFAC requirements, and to verify that the names of any applicable individuals and entities do not appear on the most current SDN List or Consolidated Sanctions List in accordance with the requirements set forth in the Guide and the Public Records Search Requirements. The Seller/Servicer must maintain evidence (including the date of the search) of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage or any Servicing-related transaction, as applicable.

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

2.24 Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) (08/15/24)

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

Freddie Mac requires Seller/Servicers to establish and maintain written procedures to ensure they do not employ or contract with Named Parties for any purpose directly related to the origination,



underwriting, or Servicing of a Freddie Mac Mortgage, subject to any conditions or exclusions set forth in each Named Party's final suspension order.

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

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

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

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

(a) An Equity Conflict of Interest occurs when:

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

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

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

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

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

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

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

- (b) Equity interests held through equity investments made in third-party investment vehicles (such as REITs not managed by the Seller/Servicer, mutual funds, exchange-traded funds, index funds and SEC-registered funds) that directly or indirectly own and/or control the Property are not considered Equity Conflicts of Interest.
- (c) Seller/Servicer-Level Owners of tax credit equity investments in Low-Income Housing Tax Credit (LIHTC) transactions, as a LIHTC Investor (directly or through a syndication) or as a LIHTC Syndicator, are acceptable Equity Conflicts of Interest, but must be disclosed to Freddie Mac as provided in the Guide.
- (d) Equity Conflicts of Interest must be disclosed to Freddie Mac as provided in Sections 9.2, 9SBL.2, 36.18, 41.4, 41SBL.4(c), 55.2 and 55SBL.2. In addition, the Seller/Servicer must contact its Freddie Mac representative in the following instances:
 - (i) The ownership thresholds exceed the levels outlined above
 - (ii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest currently has or will have the ability to assume control of the Borrower
 - (iii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest is a Guarantor of the applicable Mortgage regardless of ownership level
 - (iv) The Seller/Servicer or its affiliate has an equity interest in the form of mezzanine debt, a Preferred Equity Contribution or Subordinate Financing
 - (v) The Seller/Servicer or its affiliate is selling a Property in which it has an equity interest and the applicable Mortgage provides acquisition financing for the Property
 - (vi) The individual attorney representing the Seller/Servicer in the applicable Mortgage has an equity interest in the Property or Borrower
- (e) A Transfer of Servicing will be required on or prior to Freddie Mac's purchase of the Mortgage if a Seller/Servicer-Level Owner holds 25 percent or more of the total direct and



indirect interest in the applicable Borrower. Transfer of Servicing is not required for LIHTC transactions with the Equity Conflicts of Interest described in Section 2.25(c).

- (f) Seller/Servicer, or an affiliate of Seller/Servicer, having an equity interest in the form of a Preferred Equity investment for a non-SBL Mortgage is an acceptable Equity Conflict of Interest subject to satisfaction of the following:
- (i) The Equity Conflict of Interest is disclosed to Freddie Mac as provided in the Guide
 - (ii) A Transfer of Servicing must occur on or prior to Freddie Mac's purchase of the Mortgage
 - (iii) The property inspection and lease audit may not be delegated by Freddie Mac to the Seller/Servicer
 - (iv) Notwithstanding the provisions of Section 60.4, neither the appraiser nor the appraisal firm may be affiliated with or related to the Seller/Servicer
 - (v) No other Equity Conflict of Interest is occurring

2.26 ~~Information security (06/13/24)~~Information security (12/12/24)

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

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

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

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

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

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

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

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

a. **Information security minimum requirements (06/13/24)** **Information security minimum requirements (12/12/24)**

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

(i) Information security program

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

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

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

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



(ii) Human resources security

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

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

- A physical security control program of the organization's buildings and facilities containing information systems designed to detect, monitor and prevent unauthorized persons gaining access and to respond to physical security incidents using real-time physical intrusion alarms and surveillance equipment
- ~~A business continuity and disaster recovery plan as detailed in Section 2.20~~Environmental controls to monitor, mitigate and protect the organization with regard to a loss of connectivity, access to, or integrity of, information and damage caused by natural disasters or manmade incidents such as fire, earthquake, flood, hurricane, tornado or weather-related adverse conditions

(iv) Communications and operations management

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

(ii) Removable media policy

The Seller/Service must:

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

(iii) Anti-virus program/updates

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

(iv) Boundary protection

The Seller/Service must:

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

(iv)(v) Mobile computing Data transmission and data loss prevention

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

- Approved and prohibited applications—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

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- ~~Mechanisms to de-identify (e.g., mask or truncate) sensitive and/or confidential data~~
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.
- ~~Identity and access to management requirements~~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.

• ~~Software updates~~

~~(v)(vi) Wireless networks~~ Anti-virus program/updates

~~The Seller/Servicer must control, secure and monitor wireless access points. In addition, a Seller/Servicer that offers wireless networks for network users must:~~ The Seller/Servicer must install anti-virus software to protect servers and end-user systems, and must keep all such software up-to-date with the latest anti-virus software and definitions.

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

~~(v)(vii) Vulnerability Management~~ Network security

~~The Seller/Servicer 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/Servicer must:~~ The Seller/Servicer must:

- ~~Employ a qualified and independent third party to conduct penetration testing on system or system components at least annually~~ 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")
- ~~Have written vulnerability assessment requirements that are periodically reviewed and up to date~~ Manage and restrict ports, protocols and services to only those that are required and approved for business operations

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- ~~Prioritize and remediate identified vulnerabilities~~Formally recertify and authorize firewall rules upon each significant change in infrastructure and otherwise at least annually

- ~~Maintain a record of all identified vulnerabilities and their status and a plan for remediation~~

~~(vii)~~**(viii) Configuration and patch management**Mobile computing

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

- ~~Implement and maintain written patch management requirements that are periodically reviewed to stay current with standard industry practices (e.g., those set forth by NIST or FFIEC)~~Approved and prohibited applications
- ~~Develop and execute a process for developing and maintaining secure configuration baselines (also known as hardening guides, baseline secure configurations) of infrastructure components~~Mechanisms to de-identify (e.g., mask or truncate) sensitive and/or confidential data
- ~~Deploy intrusion detection and/or prevention systems (IDS and IPS) patch management with generated events fed into centralized systems for analysis~~Identity and access to management requirements
- ~~Define, implement and maintain preventive controls designed to block malicious messages and attachments from entering the environment~~Software updates

- ~~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~~

~~(viii)~~**(ix) Auditing, logging and monitoring**Wireless networks

~~The Seller/Service~~er must: The Seller/Service
er must control, secure and monitor wireless access points. In addition, a Seller/Service
er that offers wireless networks for network users 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~~Implement and keep up to date a strong Wireless Local Area Network (WLAN) Authentication method that meets or exceeds the current industry standard (e.g., those set forth by NIST or FFIEC) Encryption strength and technology
- ~~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~~Prohibit use of outdated wireless technologies such as Wired Equivalent Privacy (WEP) algorithm

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- ~~The Seller/Service~~ should ensure an independent security assessment of the control environment is performed not less than annually and upon the occurrence of any data security incident or privacy incident. Regularly perform reviews of approved wireless networks to validate and verify authorized users and access points

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- Password protect and control administrative access to the router

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~~(ix)(x)~~ **Software and application development life cycle (SDLC) Vulnerability management and penetration testing**

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

- ~~Management and separation of production and development environments that reflects contemporary best practices~~ 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.
- ~~Secure coding requirements~~ Have written vulnerability assessment requirements that are periodically reviewed and up-to-date
- ~~Open source requirements~~ Prioritize and remediate identified vulnerabilities
- ~~Code development and security scanning pre- and post-deployment~~ Maintain a record of all identified vulnerabilities and their status and a plan for remediation

~~(x)(xi)~~ **Treatment of sensitive data and Data Encryption Configuration and patch management**

~~The Seller/Service~~ must:

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

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- 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

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(xii) Auditing, logging and monitoring

The Seller/Servicer must:

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- 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

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

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

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(xiv) Treatment of personal information and Data Encryption

(i) ~~Treatment of sensitive data~~ Treatment of sensitive information

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The Seller/Servicer must limit the storage of potentially sensitive personal data, including, without limitation, any information covered by state or federal data privacy laws, to an as needed basis. The Seller/Servicer 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. The Seller/Servicer 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/Servicer 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/Servicer must:

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

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(iii) 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:

- o Be tested at a pre-defined periodic frequency, or more frequently, if prudent, given the circumstances

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o ~~Be reviewed and updated at least annually~~

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• ~~Periodically test the effectiveness of the incident response capabilities~~
Periodically test the effectiveness of the incident response capabilities:

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

o ~~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.~~

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

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o ~~Implement or identify an existing classification scale for Security Incidents to quantify the severity of the Security Incident~~

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o ~~Have documented action plans for remediation of Security Incidents having high severity ratings~~

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~~b. -Access control (10/19/23)~~ **Access control (12/12/24)**

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

(i) Access management policy

As part of its information security program, a Seller/Serviceur 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:
 - o ~~Enforce access control methods that limit access to systems, physical or virtual resources and grant access to users on a need to know basis. Access to potentially sensitive personal data must be limited to only those that must use it to perform their work.~~ Enforce access control methods that limit access to systems.



physical or virtual resources and grant access to users on a need to know basis. Access to potentially sensitive personal information must be limited to only those that must use it to perform their work.

- o ~~Define and enforce requirements for multi-factor Authentication where applicable (privileged sessions, remote connectivity, applications housing personal data, etc.)~~Define and enforce requirements for multi-factor authentication where applicable (privileged sessions, remote connectivity, applications housing personal information, etc.)
- o Manage Seller/Servicer user accounts for Freddie Mac systems in accordance with the Guide and its applicable Purchase and Servicing Documents. Seller/Servicers must monitor for users who transfer roles or are terminated and no longer need access to their accounts as required in Section 2.13.

(ii) Granting, removing and reviewing access

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

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

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

(iii) Authentication requirements and guidelines

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

- User identification codes

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

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

(iv) Asset management

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

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

(v) Cloud computing

When a Seller/Serviceer 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/Serviceer must maintain a formal cloud computing policy.

The policy must address:

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

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

(vi) Vendor risk management

As required in Section 2.27, Seller/Serviceers 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 (06/13/24) Compliance with Freddie Mac Security Incident requirements (12/12/24)

Immediate notification to Freddie Mac is required if: The changes to this Section 2.26(c), as announced in the December 12, 2024 Bulletin, are effective April 1, 2025.

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

- The Seller/Servicer knows or reasonably believes that there has been any unauthorized access to, or acquisition of, data or computing resources to Freddie Mac systems, Seller/ Servicer systems, including any parent or subsidiary company's system, or the systems of vendors that may compromise the security, confidentiality, availability, integrity or privacy of Freddie Mac information (examples include a phishing email or malware attack, etc.), or The Seller/ Servicer knows or reasonably believes that there has been any unauthorized access to, or acquisition of, data or computing resources to Freddie Mac systems, Seller/ Servicer systems, including any parent or subsidiary company's system, or the systems of vendors that may compromise the security, confidentiality, availability, integrity or privacy of Freddie Mac information (examples include a phishing email or malware attack, etc.) ["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/ Servicer must notify Freddie Mac of the Security Incident by completing the Freddie Mac Incident Intake Form.

Immediately, and in no event later than 24 hours after the Security Incident is discovered, the Seller/ Servicer must notify Freddie Mac of the Security Incident via email at If the Seller/ Servicer is unable to access the form, notification may be done via email at Information_Security@freddiemac.com or MF_Data_Privacy_Incident_Management@freddiemac.com and MF_Data_Security_and_Privacy@freddiemac.com. If the Seller/ Servicer does not have access to email, call 571-382-3333 to report the incident. The Seller/ Servicer must report information about the incident as soon as it is known, following the minimum requirements in the table below: (ensure to include all email addresses) or by calling (571) 382-3333.

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<u>Security Incident notification requirements</u>	
<u>The Seller/ Servicer must...</u>	
<u>1.</u>	<u>Provide the name, phone number and email address of the contact leading the Security Incident investigation</u>

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Security Incident notification requirements	
The Seller/Servicer must...	
2.	Promptly investigate, correct and/or mitigate the Security Incident at the Seller/Servicer's expense, including by identifying Freddie Mac information affected by the Security Incident and preventing the continuation and recurrence of the Security Incident
3.	Comply in a timely manner with applicable laws concerning notification requirements, giving Freddie Mac the opportunity to first review and comment on any notification that in any way refers to or identifies Freddie Mac. Upon request, timely provide Freddie Mac and its designees all information and assistance needed to enable Freddie Mac to timely make any notification it deems necessary or advisable concerning the Security Incident.
4.	Provide Freddie Mac with such information, including technical and forensic reports, as Freddie Mac may reasonably request to evaluate the effect of the Security Incident on Freddie Mac and Freddie Mac's data and operations and impacted Borrowers, Borrower Principals and/or other individuals affected by a certain Security Incident. If the Servicer determines not to send notices to any Borrowers, Borrower Principals and/or other individuals affected by a certain Security Incident, the Servicer must provide written notice to Freddie Mac including a rationale and explanation for not sending notice to all affected parties as soon as practicable after the Security Incident. Notwithstanding the Servicer's determination not to provide such notices, Freddie Mac may direct the Servicer to provide notices to the affected Borrowers, Borrower Principals and/or other individuals affected by the Security Incident, at the Servicer's expense.
5.	Provide Freddie Mac via email at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com with all details of the Security Incident known at that time and related internal and external investigations, including: <ul style="list-style-type: none"> • Technical indicators of compromise (email addresses, hash values, IP addresses, malware code, vector of compromise, etc.) • All tactics, techniques, and procedures of the incident • Other details surrounding the attack methodology and timing of the compromise • Point of contact information for the Seller/Servicer and any law enforcement agencies involved for further inquiries
6.	Once known, email Freddie Mac at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com with details: <ul style="list-style-type: none"> • Indicating whether or not Freddie Mac data was accessed, taken or exposed • Characterizing the nature of information accessed, taken or exposed

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Security Incident notification requirements	
The Seller/Serviceur must...	
	<ul style="list-style-type: none"> • Of the likelihood of misuse and, if applicable, how any data was misused • Of any anticipated potential damage estimates (including reputational) • Concerning what actions are being taken to remediate the Security Incident and its cause and to protect individuals and business assets in the future; and • Any resulting after-action reports generated
7.	<p>Provide to Freddie Mac updates with details of the Security Incident, including:</p> <ul style="list-style-type: none"> • Copies of any communications to Borrowers, state and federal agencies, regulators, credit reporting agencies or others • Interim status updates Freddie Mac may request, including details on progress made since the last update until Freddie Mac is satisfied the incident giving rise to the Security Incident is fully resolved and closed • Final incident closure report with details such as remediation actions or workarounds or correction that fixed the incident and restored service to its best quality, eradication and recovery steps taken and lessons learned from the incident

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2. Obligation to investigate and remediate

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The Seller/Serviceur must promptly investigate, mitigate and remediate the Security Incident at the Seller/Serviceur'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

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After notifying Freddie Mac and providing initial information about the Security Incident, the Seller/Serviceur 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/Serviceur includes:

(i) Technical information

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- a. Related internal and external investigations
- b. Risk factors
- c. Causation factors
- d. Technical indicators of compromise (e-mail addresses, hash values, IP addresses, malware code, vector of compromise, etc.)
- e. Tactics, techniques, and procedures associated with the Security Incident
- f. Details surrounding the attack methodology
- g. Timing of the Security Incident
- h. Technical and forensic reports, if available
- i. Other information that Freddie Mac may reasonably request to assist Freddie Mac in evaluating the potential or actual effect of the Security Incident on Freddie Mac’s infrastructure and impacted Borrowers or employees
- j. Actions that are being taken to remediate the Security Incident and its cause, and to protect individuals, business assets, and Freddie Mac confidential information and any potentially sensitive personal information
- k. Remediation actions or workarounds or corrections that resolved the Security Incident and restored service to its best quality
- l. Eradication and recovery steps taken
- m. Postmortem and similar after-action reports generated
- n. Other details and information concerning the Security Incident
- o. Final incident closure report
- (ii) Freddie Mac and any potentially sensitive personal information**
 - a. Whether, and if so the extent to which, Freddie Mac confidential information or any potentially sensitive personal information was accessed, taken, or exposed
 - b. The nature and details of the information accessed, taken, or exposed
 - c. All facts relevant to actual or potential misuse of the information, including the likelihood of misuse and, if applicable, how the information was misused
 - d. Whether there is any cyber or other insurance coverage for expenses related to the Security Incident

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e. Potential damage estimates associated with the Security Incident

(iii) Compliance information

a. Actions that are being taken to comply with applicable laws

b. If requested by Freddie Mac, a Certificate of Compliance (in form and substance requested by Freddie Mac evidencing, among other things, that the Seller/Service has, with respect to the Security Incident, complied with applicable federal, State, and local data breach notification laws and regulations and all Purchase and Servicing Documents, including the Guide)

c. Copies of any communications to any impacted individuals, State and federal agencies and offices, regulators, credit reporting agencies or others

4. Compliance with laws

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

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

5. Limitation, restriction or termination of system access

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

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

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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 (08/15/24)

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, 21, 29, 29SBL, 41, 41SBL, 43, 55 and 55SBL and the Public Records Search Requirements posted on mf.freddie.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/Servicer's corporate policies in the ordinary course, or at Freddie Mac's direction, such information must be rendered unreadable and incapable of being re-created. Paper records must be properly and securely destroyed, and Seller/Servicer must retain evidence of destruction. Upon request,

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Seller/Servicers 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/Servicer may have with respect to the destroyed information.

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

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

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

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

Seller/Servicers 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:
 - o Be communicated to appropriate personnel who have job responsibility in areas that use AI/ML; and
 - o 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

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b. Indemnification (12/12/24)

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

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.

Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 12/11/2024 10:17:42 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 02 - General FM Policies GB-08-15-24.docx	
Modified filename: 02 - General FM Policies GB-12-12-24.docx	
Changes:	
<u>Add</u>	444
<u>Delete</u>	194
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	1
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	639

Multifamily Seller/Service Guide

Chapter 5

Seller/Service Representations and Warranties



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[5.18 Determination of Materiality \(12/12/24\)](#)



5.1 Applicability (09/28/18)

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

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

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

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

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

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

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

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

b. Property (09/28/18)

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



Seller/Servicer's knowledge there is not any proceeding pending for the partial or total condemnation of the Property

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

c. Loan Documents (09/28/18)

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

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

d. Insurance (09/28/18)

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

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

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

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

1. The Seller/Servicer or its legal counsel (as applicable) has used a form and version of each Loan Document that appears in the Currently Acceptable Multifamily Loan Documents list or, for SBL Mortgages, in the Currently Acceptable Multifamily Loan

Documents – SBL list both available at mf.freddie.com/lenders/legal, during the period between (A) the date of the Letter of Commitment was issued, the date the early rate-lock application was submitted to Freddie Mac or the date a Servicing request for a Transfer of Ownership or substitution of collateral was submitted to Freddie Mac, and (B) the Origination Date or date of the Transfer of Ownership or substitution of collateral, as applicable, unless otherwise expressly permitted by the Purchase and Servicing Documents or as expressly approved in writing by Freddie Mac.

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

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

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

- Office of Foreign Assets Control Specially Designated Nationals

Prior to delivering to Freddie Mac the full underwriting package or the Servicing review package for a Transfer of Ownership request, as applicable, the Seller/Servicer has complied



with the requirements of Section 2.23, regarding the OFAC Designated Nationals and Blocked Persons List or the OFAC Consolidated Sanctions List.

- Exclusionary List

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

- FHFA SCP List

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

h. No waiver (09/28/18)

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

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

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

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

a. Sale documents (09/28/18)

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

5. For each Seniors Housing Mortgage, the Seller/Servicer has duly executed and delivered the assignment of the Collateral Assignment of Management Agreement, the assignment of any servicing contracts and the assignment(s) of Licenses, Certificates and Permits and such documents are sufficient to transfer to Freddie Mac all the Seller/Servicer's right, title and interest and to vest in Freddie Mac the right to exercise all rights and remedies under each document.
6. For each Mortgage purchased by Freddie Mac, the Seller/Servicer warrants that Freddie Mac may, at any time and without limitation, require the Seller/Servicer, at the Seller/Servicer's expense, to make such endorsements to and assignments (including recordation) of any of the Loan Documents to perfect and evidence the interests of Freddie Mac and/or its successors and assigns.

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

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

c. Warehoused Mortgages (09/28/18)

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

d. Origination fees (09/28/18)

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

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

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

e. Participation Interest (09/28/18)

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

The Seller/Servicer will not sell, assign, convey, hypothecate, pledge or in any other way transfer, conditionally or otherwise, its interest in any Mortgage in which Freddie Mac has



purchased a participation interest, except as expressly permitted in the Purchase and Servicing Documents.

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

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

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

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

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

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

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

1. The Seller/Servicer has examined the third-party report.
2. The Seller/Servicer has determined that the preparer of the third-party report is appropriately qualified as required by the Guide, and has the insurance, if any, required by the Guide.



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

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

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

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

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

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

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

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

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

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

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

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

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

1. The structure of the transaction
2. Documents or interests to which title to the Property is subject



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

e. Investment quality (09/28/18)

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

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

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

g. No default (09/28/18)

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

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

a. Data submission (09/28/18)

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

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



b. Electronic Signatures (09/28/18)

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

5.7 Compliance with Laws (09/28/18)

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

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

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

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

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



5.8 Cooperatives (09/28/18)

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

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

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

a. Net worth (09/28/18)

The Seller/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.

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5.10 Servicing facilities and duties (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)

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

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

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

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

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

- There is or has been any storage, disposal or discharge of hazardous materials or substances on or affecting the Property.
- Any events have occurred or conditions exist that constitute material violations of applicable local, State or federal environmental or public health laws.



- Any environmental or public health litigation or administrative action by any private party or public authority is pending or threatened with respect to the Property.

c. Financial status (09/28/18)

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

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

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

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

e. Loan Documents (09/28/18)

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

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

f. Affordable housing (09/28/18)

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



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

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.

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Multifamily Seller/Service Guide

Chapter 8

Property Fundamentals



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8.1 Introduction (09/08/04)

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

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

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

8.2 Structure (12/17/19)

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

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

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

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

b. Commercial use (04/30/13)

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

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



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

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

c. Reserved (05/01/14)

d. Aluminum wiring (02/28/18)

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Note:

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

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

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

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

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

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

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

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

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

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- 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/Serviceicer 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/Serviceicer provides documentation from the zoning jurisdiction confirming legal conforming status.

8.6 Independent Properties (04/13/23)

a. Independent Property (06/30/15)

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

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

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

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

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

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

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- Description of the Essential Facilities and Recreational Facilities located on the Property, which may include Essential Facilities and Recreational Facilities located on other properties if the Mortgage and the Mortgage for the other properties will be cross-collateralized, cross-defaulted and coterminous as set forth in Section 8.6(d)
- Either (i) confirmation from the Seller/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

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

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

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

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

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

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

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

a. Tax parcels (03/31/11)

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

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

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

8.8 Access (06/29/17)**a. Eligibility for Purchase of Property subject to a Shared Access Agreement (06/30/15)**

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

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

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

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

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



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

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

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

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

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

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

d. Additional requirements (06/30/15)

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



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

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

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

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

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

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

b. Essential Facilities (03/31/11)

"Essential Facilities" include the following:

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

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

“Recreational Facilities” include the following:

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

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

The Seller/Serviceur 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/Serviceur’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/Serviceur’s legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel’s recommendation as to whether and why Freddie Mac should accept the Shared Use Agreement without it being fully compliant with this Section 8.9(e).

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

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not or will not be recorded, the Seller/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 (02/29/16)

a. General (09/25/15)

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

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

b. Analysis (09/25/15)

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



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

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

d. Tenant estoppels (09/25/15)

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

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

Tenant estoppels must confirm or explain the following items:

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



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

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

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

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

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

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

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

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



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

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

8.12 Subordinate Financing (04/18/24)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

A Mortgage is ineligible for sale to Freddie Mac if

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

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

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

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

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



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

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

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

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

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

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

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

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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:

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

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

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

- When submitted as part of the preliminary underwriting package:

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

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- When submitted as part of the full underwriting package:

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

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

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

For a Forward Commitment, a Forward Commitment Property Inspection must be conducted prior to commitment and a complete property inspection must be conducted prior to conversion.

Freddie Mac may either conduct the property inspection or delegate the property inspection to the Seller. When conducting a property inspection, the Seller must document the findings on the Property Inspection and Lease Audit form.

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

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

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

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

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

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



the Seller must:

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

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

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

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

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

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

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

8.17 Property condition report (~~09/30/20~~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.

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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. ~~In addition~~

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3. Additionally, the Seller must:

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- Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment or acceptance of the early rate-lock application
- Prepare Loan Documents which include ~~the applicable repair Rider to the Loan Agreement with specified completion dates and funded Reserves for all Priority Repairs and PR-90 repairs, as defined in Section 62.3(b) completion, reserve funding and other requirements for Capital Replacements and Repairs required by the Letter of Commitment, as applicable~~
- ~~Prepare if applicable, prepare~~ a Repair Letter for all Operational Repairs, ~~as defined in Section 62.3(b), that are 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:

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- 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~~ 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: Operational Repairs must be identified in the Repair Letter, the form of which can be found at mf.freddie.com/lenders/legal, rather than being included in the Rider to the Loan Agreement.~~

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The Repair Letter notifies Borrowers that:

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

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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.freddie.com/lenders/uv.

Material repairs more likely to impact habitability are:

- o Structural repairs related to foundation/building slabs, stairs, walkways, balconies, decks, and fire escapes
- o 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
- o Major building system such as electrical (excludes in-unit systems, fixture replacement such as GFCI outlets, smoke detectors, etc.), HVAC, plumbing, down elevator(s)

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8.18 Condominiums (10/14/16)

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

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

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



- A “Fractured Condo” (i.e., the Property does not consist of all of the residential units in the Condominium and some of the residential Condominium Units have been sold to third party purchasers)
- The number of members that comprise the board of directors of the Condominium association (“Condominium Association”) and the number of members of the board of directors of the Condominium Association that the Borrower controls

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

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

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

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

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



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

d. Legal issues (06/30/15)

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

- The rights of the Condominium Mortgagees with respect to proceeds of a claim on the Condominium Association's insurance policy covering the building and common areas including the percentage of Condominium Mortgagees that must agree to rebuild
- The rights of Condominium Mortgagees with respect to the proceeds of a partial condemnation affecting the building and/or common areas
- Whether the Condominium board of directors is required to hold insurance proceeds and condominium awards or whether such funds can be held by an independent trustee



- Whether the Condominium Mortgagees have any consent right with regard to the appointment of an independent trustee
- The rights of a Condominium Unit owner and a Condominium Mortgagee in connection with the ability to partition the Condominium and what applicable law provides with regard to partitioning the Property
- Any additional information that a prudent lender would consider in its review of the Condominium Documents

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

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

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

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

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

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



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

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

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

8.19 Tax abatements (04/14/22)

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

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

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

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

1. Program eligibility



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

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

2. Statutory approval

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

3. Continuation of tax abatement

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

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

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

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

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

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3. If the Mortgage is for the acquisition of a Property that has previously received a tax abatement but as of the Origination Date the Borrower will not have been approved to assume the tax abatement, Freddie Mac may consider underwriting the Mortgage using the abated tax amount. However, Freddie Mac reserves the right to underwrite the Mortgage using the amount of the full unabated taxes.
4. If the Property does not have a tax abatement in place but the Borrower has applied or will apply for the tax abatement, then Freddie Mac may, in its discretion, underwrite the Mortgage using the abated tax amount. Freddie Mac will look at whether the potential tax abatement meets the following requirements:
 - The Borrower has an entity in its organizational structure that has at least one other property that has qualified for a tax abatement
 - The Borrower Principal has a record of qualifying for tax abatements
 - The PLIM confirms that the Borrower is likely to obtain the tax abatement following origination

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

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

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

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

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

- Letter or certificate from the taxing authority or the governing body granting or confirming the abatement



- Copy of the Borrower's current tax statement showing the amount of taxes assessed

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

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

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

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

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

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

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

1. Refinance test for all Mortgages underwritten with tax abatements

Freddie Mac performs a refinance test as follows:

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

2. DCR calculation for all Mortgages underwritten with tax abatements

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

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be "infinite" and abated taxes can be utilized to derive the NOI and perform the refinance test:
 - a. The phase-in period, if any, begins at least 10 years after the Mortgage maturity date
 - b. The abatement runs at least 20 years after the Origination Date
 - c. The abatement runs for the full term of a fully amortizing Mortgage



- For all other Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow analysis to show the effect on NOI of any decrease in the tax abatement for the term of the Mortgage plus 10 years.

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

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

8.20 Student Housing Properties (04/18/24)

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

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

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

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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)

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



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

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

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

8.21 Solar Agreements (04/18/24)

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

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

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

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

b. Analysis (04/18/24)

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

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



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

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

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

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

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

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

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

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

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



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

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

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

Freddie Mac will not enter into a subordination, nondisturbance and attornment agreement with respect to a Solar Agreement other than in the form available at mf.freddie.mac.com/lenders/legal.

h. Reserved (12/14/23)

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

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

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

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

1. Any Solar Electric System on the Property must have permission to operate (“PTO”) from the public utility for the jurisdiction in which the Property is located, the form and confirmation of which may vary among jurisdictions.
2. If the Solar Electric System is in place as of the origination of the Mortgage, Seller/Service must verify that: (i) the Solar Electric System has received PTO, (ii) the Property remains connected to the electric grid, and (iii) neither the Solar Electric System nor the Property is subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located.



3. If the Solar Electric System is not in place and in operation as of the Origination Date, Seller/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 (12/14/23)

a. General (12/14/23)

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

b. Infrastructure Agreements with Affiliates (12/14/23)

1. An Infrastructure Agreement that is not with an Affiliate of the Borrower or any Borrower Principal (including any guarantor), and that meets the requirements set forth in Chapter 29 and in the Title Policy and Endorsement Requirements, does not have to be subordinated to the lien of the Mortgage.
2. Freddie Mac will not subordinate the lien of the Mortgage to an Infrastructure Agreement.
3. An Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any guarantor) and encumbering the Property must be specifically subordinate to the lien of the Mortgage unless the applicable agreement contains a provision for termination by the owner of the Property without cause on 30 days’ notice and without payment of a fee or penalty. The subordination agreement must be recorded if the applicable Infrastructure Agreement is recorded. In addition, Freddie Mac will not agree to a nondisturbance agreement with respect to an Infrastructure Agreement (other than a

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Solar Agreement in accordance with Section 8.21) that is with an Affiliate of the Borrower or any Borrower Principal (including any guarantor).

c. Severance of lessor's interest from the Property (12/14/23)

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

Summary report:	
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Modified filename: 08 - Prop Fundamentals GB-12-12-24.docx	
Changes:	
Add	29
Delete	18
Move From	0
Move To	0
Table Insert	0
Table Delete	0
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Format changes	0
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Multifamily Seller/Service Guide

Chapter 8SBL

SBL Property Fundamentals



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

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

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

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

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

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

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

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

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

b. Commercial use (06/30/16)

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

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

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

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

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

c. Reserved (06/30/16)

d. Aluminum wiring (06/30/16)

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

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

e. Reserved (06/30/16)

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

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

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

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

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

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

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

Note:

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

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

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

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

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

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

1. Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
2. Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
3. Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
4. Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, as well as all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas
5. Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
6. Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

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

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

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

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

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

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

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



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

8SBL.4 Occupancy (09/30/20)

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

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

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



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



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

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

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

8SBL.6 Independent Property (09/26/19)

a. General Requirements (06/30/16)

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

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



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

“Essential Facilities” include the following, if applicable:

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

“Recreational Facilities” include the following, if applicable:

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

c. Purchase of an SBL Mortgage secured by a Property that is not an Independent Property (09/26/19)

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

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

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

Freddie Mac's approval of any non-compliant provisions in the easement and/or Shared Use Agreement does not discharge or limit the Seller's liability for breach of any warranties made under the Purchase and Servicing Documents. See Section 29SBL.2 for more information on title exceptions.

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

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

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

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

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

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

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

f. Reserved (09/26/19)

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

a. Tax parcels (06/30/16)

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

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

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

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

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



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

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

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

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

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

8SBL.9 Reserved (06/30/16)

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

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



8SBL.11 Nonresidential leases (06/29/17)

a. General (06/30/16)

For the purposes of this section, the term “commercial lease” refers to any non-residential lease under which the Borrower is the lessor (excluding ground leases, which are addressed separately in this Guide), including telecommunication agreements (as defined in Section 29SBL.2), leases for retail space, office space, laundry facilities, cellular communication equipment, billboards, and petroleum products/minerals.

b. Analysis (06/29/17)

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

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

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

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

d. Reserved (06/30/16)

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

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

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

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

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

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

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

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

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

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

See Section 2.18 regarding the Freddie Mac Exclusionary List.

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

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

8SBL.14 SBL Mortgages ineligible for purchase (12/15/22)

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

- The Property receives any of the following:
 - Local rent subsidies for greater than 10 percent of the units
 - Local rent subsidies for 10 percent or fewer of the units, but the subsidy is contingent on the owner's initial or ongoing certification of each tenant's eligibility
 - Federal rent subsidies (for example, project-based Section 8 HAP program or a similar Federal program)
- The Property is encumbered by any of the following:
 - A regulatory agreement that imposes income and/or rent restrictions if there are funds related to the regulatory agreement that have not yet been disbursed to the Borrower
 - A regulatory agreement that encumbers any property other than the Property



- A Low-Income Housing Tax Credit (LIHTC) land use restriction agreement (LURA) in compliance years 1-12
- A Private Transfer Fee Covenant that was created on or after February 8, 2011
- A HUD foreclosure deed restriction or similar restriction
- The Property benefits from any of the following:
 - Tax exempt bond interest reduction payments (IRPs)
 - Historic Tax Credits (HTCs) that require a master lease structure
- The Property has any of the following tenant characteristics:
 - Seniors housing with resident services
 - Greater than 50 percent concentration of student tenants (whether graduate or undergraduate)
 - Greater than 50 percent concentration of military tenants
- The Property has a Scenario Expected Loss-475 (SEL-475) greater than 40 percent, as determined by a Seismic Risk Assessment (SRA), and the affected buildings have not undergone a seismic retrofit (see Chapter 64SBL for further information on seismic risk assessments)
- The Property is in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA) and the community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available

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

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

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

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

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

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a. Reserved (10/12/17)

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

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

1. The unit inspection must include the following:
 - A minimum number of residential units as follows:
 - The greater of 10 percent of the total number of units at the Property or five units. Inspected units should include a representative sample of vacant units, occupied units, unit types and floor levels, including top floor and bottom floor units. If inspecting the greater of 10 percent of the total number of units or five units results in an insufficient number of inspected units to meet lease audit requirements, then additional units must be inspected to meet those requirements.
 - All Down Units
 - All commercial/non-residential units
 - A representative sample of units with corporate leases
2. Prior to the date of the inspection, unless delegated to the Seller, Freddie Mac must select units for the inspection and the Seller must instruct Borrowers to provide notices to the selected units:
 - For Properties located in Very Small Markets, the Borrowers must provide notification to all tenants that a site inspection is pending.
 - For Properties in all other markets (Top, Standard, or Small Markets), the Borrower must provide advance site inspection notifications to a minimum of twice the required number of units for inspection. If a Property has ten or fewer units, the Borrower must provide notification to all tenants. The number of selected units for which the Borrower must provide notification to tenants must be sufficient for the inspected units to meet lease audit requirements. If the selected units are not sufficient, the Seller must select additional units for which the Borrower must provide notification to tenants.

The inspector may require access to more or different units than those to which the Borrower provided notifications. If the Borrower cannot provide the inspector access to those units, the inspection must be rescheduled and those units inspected before the inspection is deemed complete.
3. On the day of the inspection, an appropriate sample of units must be identified to inspect from the selected units, ensuring that the minimum number of units are inspected and that the inspected units are sufficient to meet lease audit requirements. If Freddie Mac is on-site and participating in the inspection, Freddie Mac will select the units to be inspected. If



Freddie Mac is not present, the Seller will select units to be inspected. Neither the Borrower nor the property manager may select or recommend units to be inspected.

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

4. The Seller must interview the property manager, if applicable, to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.
5. The Seller must inspect each building, including exteriors and all common spaces to include the following:
 - Roof access should be gained if not clearly visible from the ground (flat roofs).
 - Inspect a representative sample of ongoing or recently completed unit renovations, if applicable
 - Verify reported completed or in process capital improvements
 - Verification may also be supplemented through review of the Appraisal, Physical Risk Report, or SBL Cash Out Analysis following submission of the full underwriting package
 - If none of the above are sufficient to verify completion of the capital improvements or unit renovations, the UW must require proof of completed capital improvements or unit renovations (such as invoices, etc.)
 - Inspect amenities available to tenants at the Property
 - Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation
 - Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems
6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.
7. The Seller must conduct a market analysis to include the following:
 - Drive by identified rental comparables



- Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket
 - Take photographs of rental comparables when unique issues or material concerns exist
 - If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket
8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:
- Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.
 - Current rent roll from the property manager that was used to prepare the property inspection including the full tenant names, current lease start and end dates and unit occupancy status
 - A sample or unexecuted residential lease or an executed lease with any personal or private information redacted
 - Completed Property Inspection and Lease Audit form to reflect a lease audit of:
 - If the Property has 15 or fewer total units, 100 percent of occupied units capped at 10 units, or
 - If the Property has more than 15 total units, the greater of 25 percent of all units or 10 units, up to a maximum of 30 units, unless otherwise required by Freddie Mac or the Seller

Additionally, the audited leases: (i) must include all occupied units inspected and (ii) should be selected by the person conducting the inspection. Also, if lease files are maintained on-site, the lease audit must be conducted at the time of the site inspection. The lease audit must also include representative samples of:

- Leases from any inspected corporate units
- Leases signed within the last 60 days
- Effective for transactions taken under application on or after April 18, 2024, validation of leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional



payments (e.g., late fees or other one-time charges).

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

- An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8SBL.15(b)
 - Documentation of complete property inspection in accordance with this section
 - If Freddie Mac has delegated the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement. Delegation to the Seller must be approved by Freddie Mac and is permitted on an exception basis only.

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

The inspection and lease audit requirements of Section 8SBL.15(b) must have been completed within 90 days of Freddie Mac's receipt of the full underwriting package.

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

8SBL.16 Reserved (03/03/17)

8SBL.17 SBL Physical Risk Report (08/15/24/12/12/24)

This section sets forth the requirements, duties and responsibilities of the Seller/Servicer once the SBL Physical Risk Report has been completed by the physical risk consultant. See Chapter 62SBL for the following:

- The physical risk consultant's requirements for evaluating the physical condition of the Property and completing Form 1104, SBL Physical Risk Report
 - The Seller's requirements for retaining a physical risk consultant and reviewing Form 1104
1. Freddie Mac requires the Seller/Servicer to submit an SBL Physical Risk Report meeting the requirements of Chapter 62SBL before Freddie Mac will issue a Letter of Commitment to purchase an SBL Mortgage.
 2. Once the Seller has received and reviewed Form 1104, the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Section 62SBL.3(b), including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Small Balance Loan Team* of unusual or questionable conditions. **In addition**

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3. Additionally, the Seller must:

- Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment
- Prepare Loan Documents which include funded Replacement Reserves, where applicable, for certain Priority Repairs and PR-90 Repairs, as defined in Section 62SBL.3(b) completion, reserve funding, and other requirements for Capital Replacements and Repairs required by the Letter of Commitment, as applicable
- Provide a copy of the completed SBL Physical Risk Report to the Borrower so that the Borrower is aware of the Priority Repairs (including PR-90 Repairs), as defined in Section 62SBL.3(b), that must be completed by the Borrower per the Loan Document requirements

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4. If any of the following conditions exist at the Property and become Priority Repairs, Freddie Mac will require a Reserve for all identified Priority Repairs (including PR-90 Repairs):

- The estimated cost to complete all Priority Repairs (including PR-90 Repairs) identified in the SBL Physical Risk Report is \$25,000 or greater, or
- The Property receives an "Overall Property Condition Rating/Capital Needs Over the Loan Term" rating of "Below Average" or lower in the SBL Physical Risk Report, or "Poor" in the Seller and/or Freddie Mac inspection, or

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

- When material repairs are more likely to impact habitability such as:
 - o Structural repairs related to foundation/building slabs, stairs, walkways, balconies, decks, and fire escapes
 - o 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
 - o Major building system such as electrical (excludes in-unit systems, fixture replacement such as GFCI outlets, smoke detectors, etc.), HVAC, plumbing, down elevator(s)

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

If the Priority Repairs exceed \$75,000 or have a material repair more likely to impact habitability as described in 8SBL.17(4), the Seller must submit a remediation plan from the Borrower as to their intended methodology for remediating all repairs within the required

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[time frame. See Guidance – Priority Repair Remediation Plan at mf.freddie.com/lenders/uw.](https://mf.freddie.com/lenders/uw)

8SBL.18 Condominiums (06/29/18)

a. Condominiums (10/12/17)

Freddie Mac will consider purchasing an SBL Mortgage that is secured by a security interest in Property that is subject to a condominium regime (“Condominium” or “Condo”) only if it is a 100 percent Borrower-owned Condo. The following additional requirements must be satisfied:

- The Appraisal must indicate that the Property is a 100 percent Borrower-owned Condo.
- The Letter of Commitment may require certain modifications to the Loan Agreement and the Security Instrument.

b. Reserved (06/29/18)

c. Reserved (06/30/16)

d. Reserved (06/30/16)

e. Reserved (03/03/17)

8SBL.19 Tax abatements (04/14/22)

a. Tax abatement definition and overview (06/30/16)

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

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

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

1. Program eligibility

The Seller/Servicer must verify that the governing State or local authority has granted a

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tax abatement to the Property or the Borrower, as applicable, under an eligible program. The Seller/Servicer must:

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

2. Statutory approval

The applicable statute for the tax abatement must be in force at the time that the Seller/Servicer submits the full underwriting package to Freddie Mac.

3. Continuation of tax abatement

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

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

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

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

1. For all tax abatements, the Seller/Servicer must include in the applicable underwriting package the evidence of tax abatement documentation listed in Section 55SBL.2.

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



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

If the tax abatement is subject to periodic renewal and/or reporting, the Seller/Service 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/Service must:

- Prepare the Tax Abatement/Exemption Analysis – SBL ,
- Include the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL, and
- Respond to any issues raised by the Multifamily Attorney

d. Collateral valuation for tax abatement (06/30/16)

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

e. Refinance test and DCR calculation for Properties with tax abatements (06/30/16)

1. Refinance test for all SBL Mortgages underwritten with tax abatements

Freddie Mac performs a refinance test as follows:

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

2. DCR calculation for all SBL Mortgages underwritten with tax abatements

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

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be "infinite" and abated taxes can be utilized to derive the NOI and perform the refinance test:
 - a. The phase-in period, if any, begins at least 10 years after the SBL Mortgage maturity date



- b. The abatement runs at least 20 years after the Origination Date.
- c. The abatement runs for the full term of a fully amortizing SBL Mortgage.

For all other SBL Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow analysis to show the effect on NOI of any decrease in the tax abatement for the term of the SBL Mortgage plus 10 years.

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Changes:	
Add	29
Delete	6
Move From	0
Move To	0
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Multifamily Seller/Servicer Guide

Chapter 9

Borrower/Borrower Principal Fundamentals



9.1 Introduction (09/08/04)

9.2 ~~Borrower requirements (10/17/24)~~Borrower requirements (12/12/24)

- a. ~~General Borrower requirements (06/13/24)~~General Borrower requirements (12/12/24)
- b. Single Purpose Entity (SPE) requirements; newly-formed vs. recycled entities (05/01/14)
- c. SPE Equity Owners (05/01/14)
- d. ~~Key Borrower Principal due diligence (10/17/24)~~Key Borrower Principal due diligence (12/12/24)
- e. Borrower requirements specific to a Single Member Limited Liability company (06/25/20)
- f. Borrower requirements specific to non-profit Borrowers and Borrower Principals (04/13/23)
- g. Borrower requirements specific to Crowdfunding (04/13/23)

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

- a. Unacceptable persons or entities (04/13/23)
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9.4 Land trusts (03/03/14)

9.5 Cooperatives (09/28/18)

9.6 Trusts (06/15/23)

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

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

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

9.9 Preferred equity (02/16/23)

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

9.10 Investment fund (12/14/17)

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

9.11 Foreign Guarantor (02/22/24)

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



9.1 Introduction (09/08/04)

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

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

See Chapter 9SBL for Freddie Mac's Borrower and Borrower Principal requirements for an SBL Mortgage.

9.2 Borrower requirements (10/17/24/12/12/24)

a. General Borrower requirements (06/13/24/12/12/24)

1. The following types of Borrower are generally acceptable:
 - Limited partnership
 - Corporation
 - Limited liability company
 - Limited liability limited partnership
 - Tenancy-in-Common (TIC), provided that the TIC meets the requirements of Section 9.12
2. The following types of Borrower may be acceptable in limited circumstances and may be subject to additional requirements:
 - General partnership
 - Limited liability partnership
 - Revocable or irrevocable trust, including a Delaware Statutory Trust
 - Real estate investment trust (REIT)
 - Illinois, Indiana, Florida or Virginia land trust, provided that the Borrower meets the requirements of Section 9.4, ~~or~~
 - 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.

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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.

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5-6. 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.

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6-7. 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.

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

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

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

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

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

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

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

d. Key Borrower Principal due diligence (10/17/24/12/24)

If a Key Borrower Principal falls under one of the categories noted below, then the Key Borrower Principal may be subject to additional due diligence requirements, as outlined in Section 11.6, Section 55.2, and/or the underwriting checklists:

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- **First-Time Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in [a similar role in](#) the past 10 years with Freddie Mac.
- **Limited Multifamily Experience Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has had Control of at least 5 properties in the past 5 years, the majority of which are or were substantially similar to the Property in the number of units or type of property.

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.

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

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

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

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

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

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

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

- A debt service Reserve in the minimum amount of six months of debt service payments that is funded by the Origination Date, a portion of which may be deferred
- A lease-up Reserve that is funded by the Origination Date



- An operating Reserve that will remain in place until specified rental achievement
- A funded Replacement Reserve that is subject to re-evaluation at 10-year intervals or shorter periods at Freddie Mac's discretion

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

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

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

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

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

1. Is a confirmed match to a name on any of the following lists:
 - OFAC Specially Designated Nationals and Blocked Persons List
 - OFAC Consolidated Sanctions List
 - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
 - Freddie Mac Exclusionary List
2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering
3. Has a civil or criminal Conviction in connection with a financial crime such as embezzlement, fraud, misappropriation of funds



4. Is named as an accused or defendant in any pending or current criminal or civil proceeding relating to any of the crimes set forth in subsection 2 and 3 above
5. Is insolvent or the subject of a pending bankruptcy or similar proceeding
6. Is an adverse party to Freddie Mac in any pending or current litigation

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

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

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

9.4 Land trusts (03/03/14)

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

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

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

9.5 Cooperatives (09/28/18)

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

9.6 Trusts (06/15/23)

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

- A revocable or irrevocable trust may be an eligible Guarantor.
- If a revocable trust is a Guarantor, the settlor is a co-Guarantor with the trust.

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

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

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

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

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

1. Legal analysis

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

- a. If the trust is the Borrower, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.
- b. If the trust is the Borrower, there is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the Mortgage).
- c. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the Mortgage.
- d. If the trust is the Guarantor, the trustee is authorized to guarantee the debts of another entity.
- e. If the trust is the Guarantor, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Guarantor's ability to guarantee the Mortgage.

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

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

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

9.9 Preferred equity (02/16/23)

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

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

b. Definitions (02/16/23)

1. Common Equity

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

- Has an equal right to receive distributions, payments or returns (i.e., no such investor or class of investors receives any preferential payments or returns as compared to other equity investors) (sometimes referred to as "pari-passu" equity), or

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- Is entitled to receive preferred distributions, payments or returns only out of net cash flow from the Property (i.e., cash flow, if any, available after payment of all operating expenses for the Property, lender's debt service, and any escrows and reserves required by the lender) before any other investor receives any distributions, payments or returns (sometimes referred to as "soft pay" preferred equity)

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

2. Preferred Equity

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

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

Any of the following characteristics constitute Preferred Equity:

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

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

The following are unacceptable attributes of Preferred Equity:

1. Any of the obligations related to the Preferred Equity are secured by any form of collateral
2. A Redemption Date that is prior to the maturity date of the Mortgage



3. A cash sweep at the Property level
4. The assignment of any cash reserves at the Property level other than reserves established solely from the proceeds of the equity contribution
5. An intercreditor agreement, subordination agreement, recognition agreement, or any other agreement with the Property lender to limit or delay lender's rights or remedies
6. An equity investment that also directly or indirectly capitalizes an entity affiliated with the Borrower which owns another property ("Affiliated Property") unless (a) Freddie Mac also intends to purchase a mortgage secured by the Affiliated Property and (b) the Mortgage and the mortgage on the Affiliated Property will be cross-collateralized or cross-defaulted.
7. The right for the Preferred Equity investor or its assignee(s) to remove or replace the person or entity with direct or indirect control of the Borrower ("Preferred Equity Control Takeover") based on the actions or inactions of any Person in any entity other than the Borrower or an entity in the Borrower's ownership structure
8. The right for the Preferred Equity investor or its assignee(s) to exercise any rights or remedies based on the economic performance of a property other than the Property
9. The right for the Preferred Equity investor or its assignee(s) to make protective advances that increase the size of the Preferred Equity investment for any reason other than to pay debt service, taxes, or insurance
10. The right for the Preferred Equity investor or its assignee(s) to acquire the equity interests of (i) the person or entity with direct or indirect control of the Borrower, or (ii) any other equity owner, without purchasing those interests for fair market value
11. Documentation of additional terms and requirements of the Preferred Equity investment other than in the organizational documents (i.e., there may not be any side letters)
12. The Preferred Equity investment is subject to draws, phased or deferred funding. Any Preferred Equity investment must be fully contributed on or prior to the Origination Date.
13. The right to exercise a Preferred Equity Control Takeover based on the Property's failure to achieve specific, quantifiable occupancy, NOI, debt service or other economic performance measures while the Property is performing under the Mortgage
14. Permits any payment to an equity investor before payment of operating expenses of the Property and all sums due to the lender under the Loan Documents
15. Includes any other attribute that Freddie Mac determines circumvents Freddie Mac's intent with respect to an acceptable Preferred Equity investment

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

Any guaranty provided in connection with Preferred Equity must:

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

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

1. Prior to issuance of the Quote, the Seller/Servicer must advise Freddie Mac of any Preferred Equity, and provide the following information to the extent known:
 - Name of the Preferred Equity investor
 - Summary of the financial terms of the Preferred Equity and any Common Equity investment to be made by the Preferred Equity investor or its affiliate
 - a. Amount
 - b. Initial rate of the Preferred Equity Return (and if the rate changes, any deferred rate of the Preferred Equity Return)
 - Anticipated schedule for the funding of the Preferred Equity
 - Proposed Redemption Date
 - Any other material relating to the Preferred Equity
2. Seller/Servicer’s counsel must deliver the Equity Analysis no later than the delivery of the full underwriting package.
3. Seller/Servicer must require the Borrower to complete the Borrower’s Preferred Equity Financial Terms Summary and deliver it to Freddie Mac no later than the delivery of the full underwriting package
4. Seller/Servicer’s counsel must confirm that the operating agreement, joint venture agreement or similar agreement governing the Preferred Equity investment contains a prohibition against modifying any of the terms of the Preferred Equity, including the terms relating to the Preferred Equity Return, the Redemption Date or the amount of the



Preferred Equity (except to decrease the amount of the Preferred Equity or the Preferred Equity Return) during the term of the Mortgage without the lender's consent

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

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

9.10 Investment fund (12/14/17)

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

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

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

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

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

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

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

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

9.11 Foreign Guarantor (02/22/24)

A Foreign Guarantor is one of the following:

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

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

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

- Maintain a minimum Liquidity in one or more U.S. bank account(s) of five percent of the original principal balance of the Mortgage, or such other amount as Freddie Mac may require. If there is more than one Foreign Guarantor, the minimum five percent Liquidity requirement may be held in the aggregate by the Foreign Guarantors. The bank(s) holding the account(s) must be acceptable to Freddie Mac.
- For any Mortgage greater than \$40 million, provide an additional non-consolidation opinion acceptable to Freddie Mac, written in English, from the Foreign Guarantor's country of citizenship and/or residency.

- For any Mortgage greater than \$50 million, deliver an opinion of counsel, written in English, covering (i) the validity and enforceability of the form of appointment of the process agent under the laws of the Foreign Guarantor's country of citizenship and/or residency, even if there were to be a change, whether voluntary or involuntary, in the Foreign Guarantor's permanent residence status in the United States, and (ii) the procedure for the collection and enforcement of any U.S. judgment obtained against the Foreign Guarantor in the Foreign Guarantor's country of citizenship and/or residency. The opinion must be acceptable to Freddie Mac and must be given by a firm that is familiar with the applicable laws of the country and which is otherwise acceptable to Freddie Mac.

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

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

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

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

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

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

1. General

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

2. Management

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



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

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

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

3. Limitations on TIC owners

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

- Not to seek to partition the Property
- Not to allow its interest in the Property to become subject to any liens from any third parties and if a lien is filed by a third party to promptly discharge such lien
- To the extent applicable, to waive its rights to residency in the Property
- To promptly notify all other TIC owners and Freddie Mac of any change in address or telephone numbers
- To waive any and all lien rights it holds against any other TIC owners, including any capital calls, for a failure of such TIC owner to perform its obligations as a tenant in



common, either under the TIC Agreement or at law

- To subordinate any and all rights and remedies, including rights of indemnity or otherwise, under the TIC Agreement or at law, to the lien of the Mortgage and all other terms and provisions of the Loan Documents
- To stand still with respect to the enforcement of any of their rights and remedies, under the TIC Agreement or at law, and take no enforcement action with respect to such rights and remedies

4. Requirements related to the Mortgage

The TIC Agreement must include all of the following;

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

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

If the TIC Agreement fails to fully satisfy any of the requirements outlined in Sections 9.12(a) and (b) above, and the TIC Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the TIC Agreement without it being fully compliant with this Section 9.12. If the TIC Agreement fully satisfies all of the requirements above, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

Summary report:	
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Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 09 - Borrower Fundamentals GB-10-17-24.docx	
Modified filename: 09 - Borrower Fundamentals GB-12-12-24.docx	
Changes:	
Add	16
Delete	14
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	30

Multifamily Seller/Service Guide

Chapter 9SBL

SBL Borrower/Borrower Principal Fundamentals



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

9SBL.2 ~~Borrower and Borrower Principal requirements (06/13/24)~~ Borrower and Borrower Principal requirements (12/12/24)

- a. ~~General Borrower requirements (06/16/22)~~ General Borrower requirements (12/12/24)
- b. Borrower Single Asset Entity (SAE) and Restricted Multiple Asset Entity (Restricted MAE) requirements (06/16/22)
- c. ~~Borrower Principal, Key Borrower Principal (including Guarantor) requirements (06/13/24)~~ Borrower Principal, Key Borrower Principal (including Guarantor) requirements (12/12/24)
- d. Guarantor requirements (04/13/23)
- e. Foreign Borrower Principal (including Foreign Guarantor) (02/22/24)
- f. Reserved (09/26/19)
- g. Borrower requirements specific to Crowdfunding (02/28/20)

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

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

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

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

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

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

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

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

9SBL.9 Preferred Equity (04/18/24)

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

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

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



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

This chapter details Freddie Mac's Borrower and Borrower Principal requirements for a Small Balance Loan (SBL) Mortgage. These requirements may also apply to Special Servicing Requests when appropriate.

9SBL.2 Borrower and Borrower Principal requirements (06/13/24/12/12/24)

a. General Borrower requirements (06/16/22/12/12/24)

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

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

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

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

c. Borrower Principal, Key Borrower Principal (including Guarantor) requirements (06/13/24/12/12/24)

1. **General Requirements.** A Borrower Principal (including all Guarantors), must satisfy all of the following requirements:
 - Be an individual, or if approved by Freddie Mac, an entity formed in the United States
 - If an individual, must:

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- o Either be a United States citizen or lawful permanent resident of the United States, and be residing in the United States, or
- o An individual meeting the Foreign Borrower Principal requirements in Section 9SBL.2(e)
- Key Borrower Principals that directly or indirectly control an entity Borrower must either be an entity formed in the United States, or an individual that is a citizen or lawful permanent resident of the United States.
- If an individual is identified as the Key Borrower Principal with the primary responsibility for the daily operations of the Property, they must ~~reside~~:
 - o Reside within 100 miles of the Property
 - o Manage and/or own United States real estate assets other than the subject Property and have a demonstrated understanding of United States real estate practices.

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Seller must immediately notify Freddie Mac if any Key Borrower Principal, or any Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.

2. Key Borrower Principal Requirements. In addition to the requirements set forth above, at the time of the "as of date" of a compliant Form 1116, Real Estate Schedule, Seller Application, or submission of the full underwriting package, at least one Key Borrower Principal must:
 - Have had Control of and owned an equity interest in (including through an entity) at least three multifamily properties each with five or more units (which may include the Property), together with Control (including through an entity) of at least one of these multifamily properties for the preceding two years, without interruption, or
 - Have had Control of and owned an equity interest in (including through an entity) a multifamily property containing five or more units (which may include the Property) for at least the five preceding years, without interruption, or
 - Have had Control of and owned an equity interest in at least 10 residential units (including through an entity) consisting of 2- to 4-unit properties for a minimum of the preceding two years.
3. Key Borrower Principal Due Diligence. Effective for transactions taken under Seller Application on or after April 18, 2024, with respect to
 - (A) Each Key Borrower Principal with Ultimate Control or Guarantor who does not individually meet the criteria noted in subsection (c)(2) above when the Seller/Service received Freddie Mac approval to deliver a full underwriting package, or
 - (B) Each Key Borrower Principal with Ultimate Control or Guarantor who is a First-Time Sponsor (as defined below),

then the Seller/Servicer must provide each of the following in its underwriting package:

- Liquidity Verification documentation (See Section 55SBL.2)
- A Form 1116, [Real Estate Schedule](#), that complies with the verification and record retention requirements set forth in Section 11.6(b) and (c).

First-Time Sponsor: When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in [a similar role in](#) the past 10 years with Freddie Mac.

d. Guarantor requirements (04/13/23)

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

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

e. Foreign Borrower Principal (including Foreign Guarantor) (02/22/24)

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

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

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

- Foreign Guarantor must manage and/or own United States real estate assets other than the Property, and have a demonstrated understanding of United States real estate

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practices,

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

f. Reserved (09/26/19)

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

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

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

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

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

1. Is a confirmed match to a name on any of the following lists:
 - OFAC Specially Designated Nationals and Blocked Persons List
 - OFAC Consolidated Sanctions List
 - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
 - Freddie Mac Exclusionary List
2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering

3. Has a civil or criminal Conviction in connection with a financial crime such as embezzlement, fraud, misappropriation of funds
4. Is named as an accused or defendant in any pending or current criminal or civil proceeding relating to any of the crimes set forth in subsection 2 and 3 above
5. Is insolvent or the subject of a pending bankruptcy or similar proceeding
6. Is an adverse party to Freddie Mac in any pending or current litigation

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

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

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

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

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

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

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

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

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



- If the trust is a Guarantor, the settlor is a co-Guarantor with the trust.

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

1. Legal analysis

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

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

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

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

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

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

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

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

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

9SBL.9 Preferred Equity (04/18/24)

Preferred Equity is not permitted in SBL.

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

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

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

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

- There may not be more than 5 TIC owners.



- Unless otherwise approved by Freddie Mac, each TIC owner must be an SAE.
- The TIC owners must enter into a tenant in common agreement (“TIC Agreement”).
- The TIC owners and the TIC Agreement must satisfy the requirements set forth in the “Tenant in Common Borrowers – Minimum Requirements (SBL)” document.

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

Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 12/9/2024 10:50:28 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 09SBL - SBL Borrower Fundamentals GB-08-15-24.docx	
Modified filename: 09SBL - SBL Borrower Fundamentals GB-12-12-24.docx	
Changes:	
Add	18
Delete	9
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	27

Multifamily Seller/Service Guide

Chapter 11

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 (08/18/22)

a. General requirements for a letter of credit (04/15/21)

Freddie Mac will accept a letter of credit in the following circumstances:

- As part of the Seller/Servicer's good faith deposit delivered as security for part of the Seller's obligations under an early rate-lock application under Chapter 27 (see Section 27.10), so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As security for the Borrower's obligations (for example, under a Rental Achievement Agreement or any other agreement for Reserves), subject to Freddie Mac's approval, so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As collateral held until stabilization in connection with a transaction under the Moderate Rehabilitation (Mod Rehab) with LIHTC product; or
- As security for the Borrower's obligations under a Forward Commitment issued by Freddie Mac; or
- As security for the Seller/Servicer's Reimbursement Obligations under its Master Agreement; or
- As security for the SBL Seller/Servicer's SBL Obligations under Chapter 46SBL.

Additional requirements:

- Any letter of credit must be obtained from a person or entity other than the Borrower or any SPE Equity owner, and
- No Borrower or SPE Equity Owner may have any liability or other obligations under any reimbursement agreement with respect to any letter of credit or otherwise in connection with reimbursement to the issuer for draws on such letter of credit.

Freddie Mac, in its discretion, may accept a letter of credit in other circumstances if the letter of credit meets all of the requirements set forth in this section.

b. Issuer and issuer's rating (12/12/14)

At the time of issuance of the letter of credit (including any renewal, replacement or amendment of an existing letter of credit), the issuer of the letter of credit must be listed on the Approved Counterparties List. If the issuer of the letter of credit is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed Counterparty Approval Request.



Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following issuers of letters of credit are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower.

At the time of issuance of the letter of credit to the Seller/Servicer, the issuer of a letter of credit must be a domestic Eligible Institution or an agency or branch of a foreign Eligible Institution located in the United States. If at any time the issuer of the letter of credit ceases to be an Eligible Institution, Freddie Mac or its successors and assigns will have the right to immediately draw down the letter of credit in full and hold the proceeds of such draw in accordance with the applicable provisions of the Loan Documents.

Any letter of credit must be freely assignable by Freddie Mac and its successors and assigns without any consent or approval of the issuer of such letter of credit and without cost to Freddie Mac or its successors and assigns. All letters of credit must have an acceptable assignment form attached to them when delivered in the Purchase Final Delivery Package.

Freddie Mac may withdraw approval of a letter of credit issuer at any time for any reason. See Section 11.2(g) for additional information.

c. Issuer's security (02/28/11)

For all Mortgages, the issuer may not have a lien on all or part of the Property or related personal property as collateral for the Borrower's obligations to the issuer without Freddie Mac's prior written consent.

d. Form of letter of credit (06/29/17)

The letter of credit must:

1. Be a clean, irrevocable, unconditional standby letter of credit
2. Be issued for the account of the Borrower in the case of a Borrower obligation, or for the Seller/Servicer's account in the case of the Seller/Servicer's obligation
3. Name Freddie Mac as the sole beneficiary
4. Be in the amount determined by Freddie Mac
5. Have an initial term of:
 - Not less than six months for a letter of credit issued in connection with an early rate-lock application that does not have an extended term
 - Not less than twelve months for a letter of credit issued in connection with a Rental Achievement Agreement or any other agreement for Reserves, debt service Reserve or an early rate-lock application with an extended term



- Not less than 60 days following the maturity date of the Forward Commitment for a letter of credit issued in connection with a Forward Commitment
 - Not less than 60 days after the end of the Mod Rehab period for a letter of credit issued in connection with a transaction under the Mod Rehab with LIHTC product
 - Not less than 12 months following its delivery date to Freddie Mac for the Seller/Service's SBL Obligations under Chapter 46SBL; such letters of credit must also be renewable by amendment for a letter of credit issued as collateral
6. Provide that it may be drawn in whole or part by presentation to the issuer of a sight draft without any other requirements to the right to draw (The form of sight draft is found as Exhibit A to the form of letter of credit found at mf.freddie.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.freddie.com/lenders/legal
- e. Seller/Service responsibilities regarding letters of credit (08/18/22)**

Within 30 days prior to the issuance of a new letter of credit, including a renewal, replacement, or amendment of an existing letter of credit, the Seller/Service must:

1. For a letter of credit that the Seller/Service is holding, verify that the issuer of the letter of credit is listed on the Multifamily Counterparty Approved List.
2. For a letter of credit that Freddie Mac holds, verify that the rating of the issuer complies with Freddie Mac's requirements.
3. Bring to Freddie Mac's attention any variations from the Freddie Mac form of letter of credit and explain whether such variations are material.
4. Complete the Letter of Credit Certification form or Form 921, Letter of Credit – SBL Certification, as applicable.
5. Obtain an opinion of the issuer's counsel with respect to the issuer of the letter of credit, which opinion must provide that:
 - The issuer has the power and authority to execute and deliver the letter of credit.
 - The letter of credit constitutes the legal, valid and binding obligation of the issuer, enforceable by the lender (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations) against the issuer in accordance with the terms of the letter of credit.
 - The opinion is intended to be relied upon by the lender and its successors as holder of the Mortgage (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations).
6. Upon issuance of a new letter of credit, including a renewal, replacement or amendment of an existing letter of credit, the Seller/Service must:



- For a letter of credit that the Seller/Servicer is holding, hold the original letter of credit in a secure place in trust for Freddie Mac until instructed by Freddie Mac to deliver the letter of credit to Freddie Mac or return the letter of credit to the Borrower
 - In the case of a letter of credit provided in connection with a Mortgage, maintain a copy of the Letter of Credit Certification as part of the Mortgage File
 - In the case of a letter of credit provided as collateral for a Seller/Servicer's Reimbursement Obligations or a Construction Phase Letter of Credit required under Section 19A.7 or Section 28A.10, deliver such letter of credit and Letter of Credit Certification to Freddie Mac as required under the Seller/Servicer's Master Agreement or the Forward Commitment, as applicable
 - In the case of a Letter of Credit – SBL provided as collateral for an SBL Seller/Servicer's SBL Obligations, deliver such letter of credit and the Form 921, Letter of Credit – SBL Certification to Freddie Mac as required under Chapter 46SBL
7. Upon issuance of a renewal, replacement or amendment of an existing letter of credit held by the Seller/Servicer, the Seller/Servicer must provide the following information to Freddie Mac within 30 days of issuance:
- Complete legal name of the issuer of the letter of credit
 - Letter of credit number
 - Amount
 - Expiration date
 - Issuer bank branch address and presentation site address

The information in this subsection must be delivered to *Multifamily Asset Management, Structured Transactions* for:

- Structured Transactions
- Tax Exempt Bond Credit Enhancements
- Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products
- Targeted Affordable Housing Mortgages, or
- Credit Facilities.

For all other Mortgages, the information in this subsection must be delivered to *Multifamily Asset Management, Borrower Transactions*.

**f. Documents to be delivered to Freddie Mac (06/29/17)**

- Any time the Seller/Servicer is holding the original letter of credit, the Seller/Servicer must deliver to Freddie Mac a copy of the letter of credit, the original Letter of Credit Certification and original opinion of issuer's counsel.
- For a letter of credit that Freddie Mac will hold, the Seller/Servicer must deliver the original letter of credit to Freddie Mac with the Final Delivery Package.

g. Change in issuer's Freddie Mac approval status (06/29/17)

Freddie Mac may withdraw approval of a letter of credit issuer at any time and for any reason.

- For Mortgages prior to origination:

If Freddie Mac withdraws its approval of an issuer of a letter of credit prior to origination of the Mortgage, in the case of a letter of credit held in connection with an early rate-lock application or any Forward Commitments:

- The TAH Seller/Servicer must notify *Multifamily TAH Production*
- The SBL Seller/Servicer must notify the *Multifamily Small Balance Loan Team*
- All other Seller/Servicers must notify the *Applicable Freddie Mac Multifamily Regional Office*

- For Mortgages that have been purchased by Freddie Mac:

If Freddie Mac withdraws its approval of an issuer of a letter of credit, the Servicer must require the Borrower to obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

- For letters of credit securing an SBL Seller/Servicer's SBL Obligations: If Freddie Mac withdraws its approval of an issuer of a letter of credit, the SBL Seller/Servicer must obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

h. Delivery of letter of credit to Freddie Mac (06/29/17)

The Seller must deliver the original letter of credit, the original opinion of issuer's counsel and the Letter of Credit Certification or the Form 921, Letter of Credit – SBL Certification, as applicable, as specified below:

- For Mortgages or SBL Mortgages, with the Final Delivery Package



- For any other matter, as specified by Freddie Mac in the applicable agreement or Chapter 46SBL

i. Presentation of letter of credit (10/07/08)

Upon receipt of written instructions from Freddie Mac, the Seller/Servicer is authorized to present a sight draft to the issuer of a letter of credit and draw on the letter of credit.

The Seller/Servicer must hold the funds it obtains from a letter of credit in trust for Freddie Mac in an account in the name of the Seller/Servicer as custodian for Freddie Mac until it receives instructions from Freddie Mac as to where it should deposit the funds.

j. Notification to Freddie Mac of letter of credit expiration (02/27/15)

The Seller/Servicer must provide Freddie Mac with written notice of the expiration of any letter of credit not less than 30 days prior to the expiration of the letter of credit.

k. Indemnification (10/07/08)

The Seller must indemnify and defend Freddie Mac against any claims that may be asserted against Freddie Mac and any costs (including attorneys' fees), losses or damages that Freddie Mac may incur as a result of any failure by the Seller/Servicer to perform its obligations with regard to any letter of credit.

11.3 Third-party interest rate cap requirements for cash ARMs (02/29/16)

For any cash ARM where Freddie Mac has required an interest rate cap and the ARM does not have an internal interest rate cap, Freddie Mac requires that the Borrower obtain an interest rate cap agreement with a third party cap provider ("cap agreement"). The Borrower must maintain a cap agreement until the entire indebtedness is paid in full.

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages.

a. Cap provider (12/12/14)

At the time of acquisition of the cap, and based on the term of the cap, the cap provider must be listed on the Approved Counterparties List. If the cap provider is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed Counterparty Approval Request.

Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following cap providers are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower.

Freddie Mac may withdraw approval of the cap provider at any time for any reason.



The cap provider must maintain the rating required by Freddie Mac in the governing transaction documents (for example the cap agreement) throughout the term of the cap.

b. Cap agreement (04/07/06)

Freddie Mac will accept a cap agreement only in the form agreed upon by Freddie Mac and the approved cap provider. The Seller/Servicer must notify the *Applicable Freddie Mac Multifamily Regional Office* of the name of the cap provider and must request that Freddie Mac provide the Seller/Servicer with the agreed form of cap agreement for that cap provider.

c. Cap guaranty; opinion (04/07/06)

Freddie Mac will notify the Seller/Servicer whether a cap agreement guaranty and/or opinion of counsel are required. If a cap agreement guaranty and/or an opinion of counsel are required, Freddie Mac will provide the Seller/Servicer with the forms of such document(s).

d. Delivery of cap agreement (02/29/16)

The Borrower must deliver an electronic copy of the cap agreement to the Seller/Servicer. For a newly originated Mortgage, the Borrower must bid the cap agreement not later than the Origination Date. The Seller must deliver an electronic copy of the cap agreement in the Final Delivery Package.

e. Payments under the cap agreement (04/07/06)

- So long as there is not an event of default and the Borrower has made the full monthly payment due, the Servicer will remit any payments made by the cap provider to the Borrower.
- Following an event of default, Freddie Mac may apply any payments made under the cap agreement to the Mortgage in any order and amount that Freddie Mac determines.

f. Reserve for subsequent cap agreement (07/01/14)

If a cap agreement expires prior to the maturity date of the Mortgage, during the term of the cap agreement, the Borrower must make monthly deposits with the Servicer on the first day of each calendar month ("cap deposits"). The cap deposits must be sufficient to accumulate funds in an amount equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to the termination of the then-existing cap agreement, a subsequent third-party cap agreement (see Section 43.22).

g. Expiration of cap agreement (04/07/06)

- Any time a cap agreement expires, a new cap agreement has not been put into effect and an event of default has occurred, Freddie Mac, at its option, may apply any payment made by the Borrower under the Note to the purchase of a cap agreement.
- Any time a cap agreement expires and a new cap agreement has not been put into effect, Freddie Mac, at its option, may apply the default interest rate contained in the Note.



h. Servicing a cap agreement (02/07/08)

See Sections 43.21 and 43.22 for the Servicing requirements for a cap agreement.

11.4 Reliance on third-party reports (09/18/14)

This Guide contains specific reliance provisions for various types of third-party reports. If not otherwise specified in this Guide, each third-party report must include the following provision:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency; and
 - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”



11.5 Insurance requirements for third-party consultants (10/12/17)

Freddie Mac requires the following third party consultants to have the insurance coverage described below:

- Appraisers
- A/E Consultants performing the duties outlined in Chapter 63
- Property condition or Physical Risk consultants
- Environmental consultants
- Property inspectors conducting:
 - Forward Commitment property inspections as described in Section 8.16(b)
 - Property inspections at time of conversion as described in Section 8.16(d)
- Green consultants

These third party consultants must have the following insurance coverage in place:

- Commercial General Liability (CGL) insurance with limits of at least \$1 million per occurrence and \$2 million aggregate with a maximum deductible amount of \$35,000
- Professional Liability insurance with limits of \$1 million per claim and \$2 million aggregate with a maximum deductible amount of \$100,000

The above policies must be issued by an insurance carrier rated either Standard & Poor's Insurer Solvency Review "BBB" or better, or AM Best A-, VI, or higher (i.e., A-, X; A, VI, etc.).

The requirements above do not apply to third-party fee consultants performing annual property inspections.

Third party consultants should have appropriate insurance coverage in place while traveling to and from and conducting work at the Property. The following are recommended guidelines for the types and levels of insurance coverage to be considered:

- Worker's Compensation insurance as required by law
- Automobile liability insurance for all owned (if any), non-owned and hired vehicles of \$1 million per accident

The Seller/Servicer 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 (10/17/24)

a. Verification applicability (10/17/24)

The requirements in this section apply to transactions taken under Seller Application on or after April 18, 2024, with respect to each Form 1116, Real Estate Schedule, delivered to Freddie Mac for the following parties:

- For all Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a First-Time Sponsor,
- For all Mortgages 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 or Limited Multifamily Experience Sponsors.

b. Verification requirements (08/15/24)

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 (e.g. general partner, limited partner, managing member, member, etc.) of each residential asset (other than a personal residence) listed has been verified by the Seller/Servicer's review of the documentation described in (1), (2) and/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 any ownership information or if discrepancies are found.

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.

c. Retention of Records (04/18/24)

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

11.7 Historical property financial statement reconciliation for refinances of Freddie Mac Mortgages and Supplemental Mortgages (08/15/24)

a. Reconciliation applicability (08/15/24)

a. 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.

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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 7.2, with respect to any Suspicious Activity and actual or possible fraud or misrepresentation in connection with such reconciliation.

b. Reconciliation requirements (08/15/24)

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b. Prior to the delivery to Freddie Mac of the underwriting package, Seller/Servicer must reconcile each historical property financial statement (including the most current property financial statement in a T-12 format) required by Sections 55.2 and 55SBL.2 against the property financial statements received for the same periods during the Servicing of the existing or senior Mortgage, as applicable (for the purposes of this Section 11.7, "Servicing Statements").

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For historical property financial statements covering an annual period, this reconciliation must include a review against each applicable full-year Servicing Statement, when available. For historical property financial statements covering the most recent annual or twelve-month



period, due to timing differences, this reconciliation only applies to those months in most recent Servicing Statement (provided in a T-12 format) that overlap the months reflected in such statements.

By delivering the underwriting package to Freddie Mac, the Seller/Servicer is certifying that the reconciliation required by this section has been performed and either (i) there are no deviations identified or (ii) any deviations have been clearly disclosed to Freddie Mac in the Mortgage Transaction Narrative Analysis.

c. Submission of Servicing Statements (08/15/24)

c. If the Servicing Statements are not found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer must submit the Servicing Statements used to perform the reconciliation required in Section 11.7(b) as part of the underwriting package.

If the Servicing Statements used to perform the reconciliation required in Section 11.7(b) are already found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer is not required to separately submit the Servicing Statements to Freddie Mac as part of the reconciliation requirements of this Section 11.7.

d. Identification of possible misrepresentation (08/15/24)

d. Seller/Servicer must comply with all reporting requirements, including but not limited to those in Section 7.2, 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)

e. The Seller/Servicer must retain records evidencing the Seller's compliance with the reconciliation requirements in this section.

11.8 Impact of a natural disaster or weather-related adverse condition (12/12/24)

a. Applicability (12/12/24)

Upon Freddie Mac's notification to Seller/Servicers, this section is applicable to Mortgage loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property. (See also Section 5.2(b) for Seller/Servicer representations and warranties regarding the Property and Section 27.4(a) for Nondelivery in the event of a material adverse change in Property condition).

Freddie Mac may provide notification to Seller/Servicers regarding the applicability of this section with respect to a particular natural disaster or weather-related adverse condition, but

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in the absence of a notification, Seller/Service providers remain obligated to comply with the provisions of this Section 11.8, to the extent applicable to their Mortgage loans.

b. Types and Status of Mortgage Loans (12/12/24)

1. For Conventional, Seniors, Targeted Affordable Housing (TAH) and Structured & Facility Mortgages in the quote stage, and for Small Balance Loans (SBL) under Seller Application that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property:

- If the property condition consultant's physical inspection of the Property is taking place after the occurrence of the natural disaster or weather-related adverse condition, nothing further required.
- If the property condition consultant's inspection has taken place prior to the occurrence of the natural disaster or weather-related adverse condition:
 - The Seller/Service provider 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

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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/Serviceers 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/Serviceers must also coordinate with the Multifamily Purchase team; Mortgage loan funding may be delayed pending a damage assessment.

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Summary report:	
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Style name: Default Style	
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Original filename: 11 - Misc Fundamentals GB-10-17-24.docx	
Modified filename: 11 - Misc Fundamentals GB-12-12-24.docx	
Changes:	
Add	52
Delete	13
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
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Multifamily Seller/Service Guide

Chapter 18SBL

Originating an SBL Mortgage



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18SBL.1 Overview (12/14/23)

This chapter describes the requirements and procedures that the Seller/Servicers must follow to originate a Mortgage under the SBL Purchase Product. SBL Mortgages submitted for purchase must comply with the requirements of this chapter and all other applicable chapters of the Guide including the requirements of the following chapters, which apply specifically to SBL Mortgages:

- Chapter 6SBL: SBL Legal Services for Mortgage Origination and Servicing
- Chapter 8SBL: SBL Property Fundamentals
- Chapter 9SBL: SBL Borrower/ Borrower Principal Fundamentals
- Chapter 62SBL: SBL Physical Risk Report Requirements
- Chapter 64SBL: SBL Seismic Risk Assessment Requirements
- Chapter 29SBL: SBL Title, Description, Survey and UCC Search
- Chapter 41SBL: SBL Transfers of Ownership
- Chapter 46SBL: SBL Collateral, Loss, Repurchase, Servicing and Securities Purchase
- Chapter 55SBL: SBL Documentation and Deliveries

Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

a. Description of the SBL Purchase Product (09/26/19)

Freddie Mac will purchase SBL Mortgages from SBL Seller/Servicers as described in Section 3.1(a). This chapter describes the unique requirements for the SBL Purchase Product.

Unless otherwise approved in writing by Freddie Mac, SBL Mortgages must have a principal balance between \$1 million and \$7.5 million.

Loans of this size may also be purchased by Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program, which is described in Chapter 17.

Freddie Mac intends to securitize all SBL Mortgages. Seller/Servicer's obligations regarding repurchase of defaulted SBL Mortgages, loss sharing, and the securitization process are described in Chapter 46SBL.

b. Investment quality (06/30/16)

Each SBL Mortgage must have characteristics that demonstrate investment quality (see Section 10.7).



c. Types of SBL Mortgages (06/30/16)

Freddie Mac may purchase any or all of the following types of SBL Mortgages:

- Fixed-rate SBL Mortgages in which the interest rate is unchanged for the entire SBL Mortgage term. (See Section 18SBL.2)
- Fixed to floating-rate “Hybrid ARM” SBL Mortgages in which the interest rate is fixed for an initial set term and is then adjusted periodically until the end of the term of the SBL Mortgage. (See Section 18SBL.2)
- Other types of SBL Mortgages as announced by Freddie Mac from time to time

d. Securitization of Mortgages and transfer of Servicing (06/30/16)

At the time of a securitization of an SBL Mortgage, as described in Chapter 46SBL, Freddie Mac will cease to own the applicable Mortgage and Servicing of the applicable SBL Mortgage will be terminated and transferred to a master servicer without compensation to the Seller/Servicer. Seller/Servicer must cooperate with all transfers of Servicing and SBL Securitization provisions described in Chapter 46SBL.

e. Delivery options (10/12/17)

For SBL Mortgages, Freddie Mac offers only the Standard delivery underwriting delivery option. The SBL Mortgage terms, conditions and interest rate are fixed after receipt and approval of the full underwriting package. For detailed information about standard delivery, see Sections 18SBL.3 through 18SBL.9.

f. Minimum Origination Fee (12/14/18)

A Seller must charge a Minimum Origination Fee in connection with the origination and sale of an SBL Mortgage to Freddie Mac as specified in the Freddie Mac Multifamily Small Balance Loan Pricing Grid Explanation document.

The Seller may satisfy the requirement for a Minimum Origination Fee with any combination of a premium buy-up and an origination fee.

The Minimum Origination Fee must be collected by the Seller and may not be used to reimburse closing costs.

g. Final delivery requirements (09/01/16)

Chapter 32 contains the requirements for final delivery of SBL Mortgages to Freddie Mac.



18SBL.2 SBL Mortgage characteristics (05/01/2412/12/24)

Each SBL Mortgage must have the following characteristics:

<p>Loan Purpose</p>	<p>Acquisition or refinance</p> <p>If the SBL Mortgage is a refinance with a return of equity and, at the time of submission of the full underwriting package to Freddie Mac, a Key Borrower Principal with Control has owned the Property for less than two years, evidence must be provided that previously completed capital expenditures or construction costs that have exceeded the greater of \$50,000 or three percent of the SBL Mortgage amount.</p> <p>The improvements must be verified in the SBL Physical Risk Report (pursuant to Chapter 62SBL) and/or the Appraisal (pursuant to Chapter 60).</p>
<p>Loan Terms</p>	<ul style="list-style-type: none"> • Fixed Rate SBL Mortgages - 5, 7, or 10 years • Hybrid ARM SBL Mortgages - Following the initial fixed rate period, there is an adjustable-rate period through maturity for Hybrid ARM SBL Mortgages - 10 years total term on hybrid loans with initial fixed-rate periods of 5 and 7 years, and 20 years total term on hybrid loans with an initial fixed-rate period of 10 years
<p>Amortization</p>	<p>For amortizing SBL Mortgages, the maximum amortization period is 30 years. Any interest-only period will be followed by an amortization period of no more than 30 years.</p>
<p>Interest Only</p>	<p>Partial-term and full-term interest-only debt service payments are available for Fixed Rate SBL Mortgages. Partial interest-only payment terms are available during the fixed rate period of the Hybrid ARM SBL Mortgage.</p>
<p>Interest Rate calculation – Hybrid ARM SBL Mortgages</p>	<p>Hybrid ARM SBL Mortgages will have initial fixed rate periods of 5, 7, or 10 years followed by an adjustable rate period through the maturity of the Hybrid ARM SBL Mortgage. During the adjustable rate period, the interest rate and amortization period may be adjusted every six months based on the index and margin specified in the Note Hybrid ARM - SBL. The adjustable interest rate will never be less than the initial fixed rate, will not increase or decrease more than one percent at any one adjustment period, and will be capped at the initial fixed interest rate plus five percent, unless otherwise specified in the Note Hybrid ARM - SBL. Amortization will be based on an actual/360 interest schedule.</p>



Prepayments	As specified in the Note Fixed Rate – SBL and the Note Hybrid ARM-SBL available at mf.freddie.mac.com/lenders/legal
Sales or Transfers of Property or beneficial interest in Borrower	Transfer of Ownership to a qualified purchaser is permitted on terms approved by Freddie Mac, in accordance with the terms of the SBL Loan Documents and the Guide.
Borrower Recourse/Third-Party Guaranties	<p>Generally non-recourse, except upon the occurrence of certain events specified in the SBL Loan Documents.</p> <p>Freddie Mac may require additional Borrower recourse for Properties located in Very Small Markets (as provided in the SBL Market Tiering Spreadsheet) or at other times in its discretion.</p> <p>See Section 10.2(b) in the event Freddie Mac requires one or more of the Key Borrower Principals, in the Key Borrower Principal’s individual capacity, to guaranty the payment of all or a portion of the amounts due under the SBL Mortgage.</p>
Servicing Spread	The Servicing Spread for each SBL Mortgage will be as stated in the Letter of Commitment for that SBL Mortgage.
Reserves	<p>The Seller/Servicer must establish Reserves pursuant to the requirements of Sections 39.2 and 39.3 with the following exceptions specific to SBL Mortgages:</p> <ul style="list-style-type: none"> • Reserves for real estate taxes may be deferred provided original LTV Ratio is 65 percent or less. • Reserves for insurance may be deferred. • Monthly Replacement Reserve deposits may be deferred at the discretion of Freddie Mac based on information from either the SBL Physical Risk Report or the Property site inspection.
Financing of Origination Fees	Proceeds of the SBL Mortgage may be used to pay loan origination fees or comparable fees to the Seller/Servicer only to the extent that such fees are reasonable and in accordance with general industry standards.
Late Charges/Default Interest	Requirements regarding late charges and default interest are set forth in the SBL Loan Documents. The Seller/Servicer may not change any provisions regarding late charges or default interest without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.



18SBL.3 Standard delivery—overview (06/30/16)

Freddie Mac will regularly publish a Pricing Grid indicating coupon rates applicable to Fixed-rate and Hybrid ARM SBL Mortgages.

Provided the SBL Mortgage presented in the full underwriting package meets the requirements of the SBL Purchase Product and has been approved by the *Small Balance Loan Team*, as evidenced by issuance from Freddie Mac of the Letter of Commitment, Seller/Serviceers may rate lock the SBL Mortgage with Freddie Mac at the applicable published Coupon Rate included in the SBL Letter of Commitment.

18SBL.4 Standard delivery—underwriting package (06/29/17)

To begin the standard delivery process, Seller/Serviceers must submit to Freddie Mac, via Freddie Mac's Document Management System (DMS), a full underwriting package including all documents specified in the SBL Underwriting Checklist, Section 1.2 of Exhibit 1. See Chapter 55SBL, SBL Documentation and Deliveries, for instructions on preparing and delivering the underwriting package and remitting any required fees to Freddie Mac as well as descriptions of Freddie Mac's requirements for each document in the underwriting package.

If the proposed SBL Mortgage does not meet one or more of the requirements for the SBL Purchase Product, Seller/Serviceer must obtain a waiver from the *Small Balance Loan Team* prior to submitting the proposed SBL Mortgage to Freddie Mac.

If Freddie Mac approves the proposed SBL Mortgage, Freddie Mac will issue a Letter of Commitment as described in Section 18SBL.6.

18SBL.5 Standard delivery—application fee (10/14/16)

Upon delivery of the full underwriting package, a nonrefundable application fee equal to 10 basis points of the Loan Amount will be deemed earned by Freddie Mac from Seller/Serviceer. This application fee will not be due for Properties located in Top Markets (identified in the document titled "Market Tiering (SBL)") unless otherwise specified in writing by Freddie Mac.

18SBL.6 Standard delivery—Letter of Commitment (04/15/21)

The Letter of Commitment represents Freddie Mac's offer to purchase an SBL Mortgage secured by an eligible Property as determined by Freddie Mac. A Letter of Commitment provides the purchase conditions applicable under a mandatory Purchase Contract.

a. Issuance of Letter of Commitment (04/15/21)

After the Seller/Serviceer submits a full underwriting package meeting the requirements of Section 18SBL.4, Freddie Mac will determine if the SBL Mortgage is acceptable for purchase.

Freddie Mac intends to complete its review of the full underwriting package within nine Business Days of its receipt of the full underwriting package (including all third-party reports), but reserves the right to take such additional time as is reasonably necessary to complete its review.



If the contemplated SBL Mortgage is acceptable, Freddie Mac will issue a Letter of Commitment stating the maximum Mortgage amount, the maximum annual debt service (principal and interest or interest only), loan term and amortization period (if applicable), and all additional conditions that must be satisfied before Freddie Mac purchases the SBL Mortgage.

The Letter of Commitment is valid for the period of time stated in the Letter of Commitment. If the Seller/Servicer fails to accept the Letter of Commitment offer within that stated time period, the Letter of Commitment will automatically expire, Freddie Mac will not be obligated to purchase the SBL Mortgage under any conditions, and the Seller must remit the application fee set as set forth in Section 18SBL.6(e). The Letter of Commitment will automatically incorporate by reference the terms set forth in the following sections of Chapter 27:

- Section 27.4: Seller Application
- Section 27.29: General Terms
- Section 27.30(e): O&M programs

b. Seller/Servicer acceptance (06/30/16)

The Seller/Servicer may accept the Letter of Commitment by following the procedures set forth in the Letter of Commitment.

After the Seller/Servicer executes the Letter of Commitment, the Seller/Servicer may not transfer, assign or otherwise modify the letter without Freddie Mac's prior written approval.

c. Locking the Coupon Rate and fixing SBL Mortgage amount and terms (04/30/19)

Provided the Seller/Servicer has accepted the Letter of Commitment, per Section 18SBL.6(b), the Seller/Servicer may lock the Coupon Rate stated in the Letter of Commitment and fix the actual SBL Mortgage amount and terms by submitting the executed Letter of Commitment to Freddie Mac, via DMS, no later than 3:30 p.m. Eastern time on the "Commitment Expiration Date" as specified in the Letter of Commitment. If either the Seller/Servicer or Freddie Mac does not have access to Multifamily DMS for a period of time, and as a result, Freddie Mac is unable to lock the Coupon Rate before the Coupon Rate Expiration Date, Freddie Mac will not be liable for any damages whether direct or consequential.

If the Seller fails to lock the Coupon Rate by the Commitment Expiration Date, the Seller must remit the application fee as set forth in Section 18SBL.6(e).

d. Contract Number and Mandatory Delivery Date (06/30/16)

Freddie Mac will provide the Seller/Servicer with the contract number of the Purchase Contract (Contract Number) and the Mandatory Delivery Date of the SBL Mortgage via email following its receipt of the countersigned Letter of Commitment in accordance with Section 18SBL.6(c) (Contract Number Confirmation Email). When it is issued, the Contract Number Confirmation Email is incorporated into and becomes a part of the Letter of Commitment. Seller/Servicer must upload the Contract Number Confirmation Email to DMS on the date of its receipt of the Contract Number Confirmation Email as part of the Letter of Commitment file.



e. Application fee (04/30/19)

Upon the delivery of the full underwriting package, the nonrefundable application fee will be deemed earned by Freddie Mac and will be payable by Seller by wire transfer to Freddie Mac as follows:

- (i) If the Seller locks the Coupon Rate as described above, Seller must remit the application fee by 2:00 p.m. Eastern time on the second Business Day following the Coupon Rate Lock.
- (ii) If Freddie Mac determines that it will not issue a Letter of Commitment for any reason, Seller must remit the application fee upon demand by Freddie Mac.
- (iii) If Freddie Mac issues a Letter of Commitment and Seller either fails to accept the Letter of Commitment or fails to lock the Coupon Rate by the Commitment Expiration Date, Seller must remit the application fee upon demand by Freddie Mac.

The Seller must obtain wire transfer instructions from the *Multifamily Small Balance Loan Team*.

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.

18SBL.7 Standard delivery—final delivery (09/01/16)

At or before noon Eastern time on the Mandatory Delivery Date, the Seller/Servicer must deliver to Freddie Mac all of the documents listed in the Final Delivery Table of Contents – SBL. The Seller/Servicer must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the SBL Final Delivery Instructions.

18SBL.8 Standard delivery—funding (09/01/16)

After final delivery of the SBL Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Chapter 32 for provisions relating to funding.

18SBL.9 Standard delivery – late delivery; non-delivery (06/30/16)

a. Late delivery (06/30/16)

For SBL Mortgages delivered or to be delivered under the standard delivery option, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of an SBL Mortgage:

- The Seller/Servicer fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying *Multifamily Purchase* of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.
- The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

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**b. Remedies for late delivery (06/30/16)**

If Freddie Mac determines that there has been a late delivery of an SBL Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Charging the Seller/Servicer a late delivery extension fee
- Taking any other action set forth in Chapter 4

c. Nondelivery (06/30/16)

For SBL Mortgages delivered or to be delivered under the standard delivery option, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of an SBL Mortgage:

1. The Seller/Servicer fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying *Multifamily Purchase* of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.
2. Either the SBL Mortgage or the Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

d. Remedies for nondelivery (06/30/16)

If Freddie Mac determines that there has been a nondelivery of an SBL Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage.)
- Charging the Seller/Servicer a breakage fee
- Taking any other action set forth in Chapter 4

e. Calculation of the breakage fee (06/30/16)

As liquidated damages for the nondelivery of an SBL Mortgage, Freddie Mac will charge the Seller/Servicer a breakage fee equal to two percent of the proposed SBL Mortgage amount. Freddie Mac's collection of the breakage fee will not prevent it from exercising any other remedies set forth in the Guide.



18SBL.10 Reserved

18SBL.11 Reserved

18SBL.12 Reserved

18SBL.13 Reserved

18SBL.14 Reserved

18SBL.15 Reserved

18SBL.16 Reserved

18SBL.17 Reserved

18SBL.18 Reserved

18SBL.19 Reserved

18SBL.20 Reserved

18SBL.21 Reserved

18SBL.22 Reserved

18SBL.23 Reserved

18SBL.24 Accuracy of information (10/12/17)

Freddie Mac is relying upon the truth and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller/Servicer in connection with the Letter of Commitment and the SBL Mortgage regardless of whether any of such documents were prepared by the Seller/Servicer or whether the Seller/Servicer knew or had reason to know the accuracy of their contents.

18SBL.25 SBL Purchase Product Loan Documents (SBL Loan Documents) (04/15/21)

The loan execution documents for the SBL Purchase Product (“SBL Loan Documents”) can be found on mf.freddie.com; those not found on mf.freddie.com will be included in the Letter of Commitment for the applicable SBL Mortgage.

The Seller/Servicer may use any version of the SBL Loan Documents that have been included on the Currently Acceptable Multifamily Loan Documents-SBL list at <https://mf.freddie.com/lenders/legal/> during the period between the date of the Letter of Commitment and the Origination Date.



18SBL.26 Maryland or Florida – Originating SBL Mortgages by Assignment, Amendment and Restatement; New York – Originating SBL Mortgages by Consolidation, Extension and Modification Agreement (06/30/16)

- a. If the Property is located in Maryland or Florida, the Seller/Servicer may originate the SBL Mortgage by purchasing an existing mortgage from the current holder of that mortgage (MD/FL Existing Mortgage), and then modifying, extending, renewing, amending and/or consolidating the MD/FL Existing Mortgage (MD/FL Amended and Restated Mortgage).
- b. If the Property is located in New York, the Seller/Servicer may originate the SBL Mortgage by combining and then restating the rights, obligations, promises and agreements stated in existing mortgages secured by the Property (NY Existing Mortgages) by using a Consolidation, Extension and Modification Agreement (CEMA) (NY CEMA Mortgage).
- c. The MD/FL Existing Mortgage and NY Existing Mortgages will be assigned to the Seller/Servicer in lieu of being discharged (Assignment). The Seller/Servicer may document the Assignment in the manner appropriate to local practice, except that if the Assignment is by Freddie Mac, then the note(s) for the MD/FL Existing Mortgage or NY Existing Mortgages will be endorsed by Freddie Mac to the Seller/Servicer without recourse or warranty, and the security instrument(s) for the MD/FL Existing Mortgage or NY Existing Mortgages will be assigned by Freddie Mac to the Seller/Servicer using the standard form of Freddie Mac Assignment of Security Instrument.
- d. Specific delivery requirements for MD/FL Amended and Restated Mortgages and NY CEMA Mortgages are set forth in the SBL Final Delivery Instructions and SBL Tables of Contents.
- e. If Freddie Mac holds the MD/FL Existing Mortgage or the NY Existing Mortgages, the Seller/Servicer must prepare and deliver to the Freddie Mac Multifamily Loan Accounting Payoff Team (mfopsloanacctpayoffs@freddiemac.com) at least five days before the scheduled origination date of the SBL Mortgage, the forms for completing the Assignment of the MD/FL Existing Mortgage or the NY Existing Mortgages from Freddie Mac to the Seller/Servicer. The Seller/Servicer must also notify the Payoff Team that the SBL Mortgage will be originated by Assignment in order to obtain the original note(s) and security instrument(s) for the MD/FL Existing Mortgage or NY Existing Mortgages. Freddie Mac will endorse the original note(s) for the MD/FL Existing Mortgage or NY Existing Mortgages to the Seller/Servicer and deliver it or them to the Seller/Servicer (delivery to Single Counsel will constitute delivery to the Seller/Servicer) to be held in escrow until Freddie Mac has received the funds for payment in full for the MD/FL Existing Mortgage or NY Existing Mortgages.

18SBL.27 South Carolina notice (06/30/16)

If the Property is located in South Carolina, then prior to originating the SBL Mortgage, Seller/Servicer must deliver to Borrower and Guarantor the following Notice Letter or another notice letter in compliance with the requirements of the South Carolina Code providing prior written notice that a waiver of appraisal will be required on the origination date of the Mortgage.

NOTICE OF WAIVER OF APPRAISAL RIGHTS

[Name and Address]

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Re: [Describe Mortgage Transaction]

Dear [Insert name of Borrower and Guarantor]:

This letter provides you with written notice as required by S.C. Code Ann. Section 29-3-680 (1976), as amended, that a requirement of the above-referenced credit transaction is your agreement to waive appraisal rights provided by statute in South Carolina with respect to all real property serving as collateral for such loan.

The Mortgage documents to be executed by you at closing will include the waiver. If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

18SBL.28 Assignment (10/12/17)

Freddie Mac will have the right to assign or otherwise transfer the Letter of Commitment or any Purchase Contract to any affiliate or subsidiary of Freddie Mac without the consent of Seller/Servicer (Freddie Mac Assignment). After a Freddie Mac Assignment, all references to Freddie Mac in the Letter of Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

18SBL.29 Buy Up (Premium Pricing) (10/12/17)

If Freddie Mac purchases the Mortgage, in addition to the purchase price Freddie Mac pays to Seller/Servicer for the SBL Mortgage, Freddie Mac will pay Seller/Servicer an amount equal to the Buy Up Fee amount to be paid to Seller as set forth in the Letter of Commitment.

18SBL.30 Public Record Searches (08/15/24)

Seller/Servicers must conduct the Public Records Searches on applicable individuals and entities in accordance with the requirements set forth in the Guide and the Public Records Search Requirements. See also Section 2.28.

Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 12/9/2024 10:53:52 AM	
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Modified filename: 18SBL - Originating SBL Mortgages GB-12-12-24.docx	
Changes:	
<u>Add</u>	4
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<u>Move To</u>	0
<u>Table Insert</u>	0
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<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	11

Multifamily Seller/Service Guide

Chapter 19

Originating a Targeted Affordable Housing Cash Mortgage



19.1 Overview (09/28/18)

- a. Program and related products (09/28/18)
- b. Investment quality (03/31/11)
- c. Types of Mortgages (03/03/14)
- d. Securitization of Mortgages (03/03/14)
- e. Delivery options (03/03/14)
- f. Minimum Origination Fee (09/22/17)
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19.2 ~~Mortgage requirements (06/15/23)~~Mortgage requirements (12/12/24)

- a. Requirements applicable to all Targeted Affordable Housing Cash Mortgages (04/13/23)
- b. Fixed-rate Mortgages under the Targeted Affordable Housing Cash Mortgage Purchase Program (12/16/15)
- c. Floating rate Mortgages under the Targeted Affordable Housing Cash Mortgage Purchase Program (05/05/17)
- d. Additional underwriting requirements for cash purchases of Mortgages with LIHTC (06/15/23)
- e. ~~Additional underwriting requirements for Preservation Rehabilitation (06/15/23)~~Additional underwriting requirements for Preservation Rehabilitation (12/12/24)
- f. Additional underwriting requirements for TAH Mortgages with subordinate debt (04/27/18)
- g. ~~Additional underwriting requirements for TAH Bridge Loans(06/15/23)~~Additional underwriting requirements for TAH Bridge Loans (06/15/23)

19.3 Delivery options; approval by TAH Underwriting Supervisor (04/15/21)



19.1 Overview (09/28/18)

a. Program and related products (09/28/18)

This chapter provides the requirements for Targeted Affordable Housing Seller/Service providers who are originating a Mortgage under the Targeted Affordable Housing Cash Mortgage Purchase Program utilizing the prior approval model.

Requirements for other Targeted Affordable Mortgages are found in:

- Forward Commitment TAH Cash Mortgages – Chapter 19A
- TEL Mortgages – Chapter 25
- Forward Commitment TEL Mortgages – Chapter 25A
- TAH Bond Credit Enhancement Mortgages – Chapter 28
- Forward Commitment TAH Bond Credit Enhancement Mortgages – Chapter 28A

Chapter 17, Originating a Mortgage under the Multifamily Conventional Cash Mortgage Purchase Program, provides the requirements applicable to Conventional Seller/Service providers. With respect to the origination of cash Mortgages with certain affordability components, Multifamily Conventional Seller/Service providers 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 Section 8 HAP contracts
- Mortgages with Section 8 vouchers
- Mortgages with tax abatements

Conventional Sellers should contact their Freddie Mac representative for additional information. For a chart outlining Conventional Seller/Service provider and TAH Seller/Service provider eligibility for originating and selling Mortgages with certain affordability components, see Exhibit 2: Origination Guidelines for Targeted Affordable Housing Mortgages.

b. Investment quality (03/31/11)

Each Mortgage to be delivered to Freddie Mac under the Targeted Affordable Housing Cash Mortgage Purchase Program must have characteristics that demonstrate investment quality as described in Section 10.7.

c. Types of Mortgages (03/03/14)

The provisions of Section 17.1(c) apply.



d. Securitization of Mortgages (03/03/14)

The provisions of Section 17.1(d) apply.

e. Delivery options (03/03/14)

The provisions of Section 17.1(e) apply.

f. Minimum Origination Fee (09/22/17)

The provisions of Section 17.1(f) apply.

g. Other requirements (03/31/11)

All Mortgages submitted for purchase under the Targeted Affordable Housing Cash Mortgage Purchase Program must comply with the requirements of Chapters 8, 9 and 10 as well as with the requirements of this chapter.

19.2 Mortgage requirements (06/15/23 12/12/24)

a. Requirements applicable to all Targeted Affordable Housing Cash Mortgages (04/13/23)

The requirements below apply for all TAH Mortgages unless otherwise indicated in this Chapter 19.

1. Eligible Mortgages are as follows:

- Mortgages for the purpose of the refinancing or acquisition (including Preservation Rehabilitation Mortgages) of the Property are eligible.
- The term of the Mortgage must be from 5 to 35 years, except as follows: (a) a Mortgage for a LIHTC Property must have a minimum term that is the lesser of 15 years or the remaining term of the LIHTC compliance period; and (b) a Preservation Rehabilitation Mortgage for a Non-LIHTC Property must have a term between 5 and 15 years.
- A refinance test is not required for a Mortgage with a loan term and amortization period of 15 years or more; see Section 23.3(c) for refinance test requirements for Section 8 Mortgages.
- For amortizing Mortgages
 - The standard amortization period is 30 years.
 - The maximum amortization period is 35 years; except for a Preservation Rehabilitation Mortgage for a Non-LIHTC Property for which the maximum amortization period is 30 years.
 - The minimum amortization period is 15 years.



- Notwithstanding the above, Freddie Mac, in its discretion, will determine the amortization period of each Mortgage.
 - The Seller's Servicing Spread for each Mortgage will be negotiated with Freddie Mac and will be stated in the Commitment or early rate-lock application for that Mortgage.
2. Freddie Mac uses a vacancy and collection loss rate in underwriting that is generally not less than five percent, and is adjusted upward if property and/or market conditions require.

For a Property with government-subsidized units, the *Multifamily TAH Underwriter* may determine that a lower vacancy rate is applicable, as follows, if the Property has achieved a vacancy rate of three percent or less over the most recent three-year period and if Freddie Mac determines that the subsidy will not be terminated in the future:

- For a Section 8 Property, a vacancy rate between three and five percent may be applied to both the subsidized units and the tenant-paid portions of the rent.
 - For a LIHTC Property, a vacancy rate between four and five percent may be applied.
3. See the following sections of Chapter 17 for requirements applicable to all Mortgages under the Targeted Affordable Housing Cash Mortgage Purchase Program:
- Section 17.2(f): Prepayment provisions
 - Section 17.2(g): Yield Maintenance Prepayment Premium
 - Section 17.2(j): Sales or transfers of Property or beneficial interests in the Borrower
 - Section 17.2(l): Borrower recourse/third-party guaranties
 - Section 17.2(n): Reserves
 - Section 17.2(o): Co-op requirements
 - Section 17.2(p): Financing of origination fees
 - Section 17.2(q): Late charges and default interest

b. Fixed-rate Mortgages under the Targeted Affordable Housing Cash Mortgage Purchase Program (12/16/15)

A fixed-rate Mortgage must be amortizing but may include an interest-only feature for up to two years for the Preservation Rehabilitation product only. Interest-only payments are generally available when construction activity during the Preservation Rehabilitation period is extensive enough to disturb tenants and/or interrupt the income stream of the Property.



c. Floating rate Mortgages under the Targeted Affordable Housing Cash Mortgage Purchase Program (05/05/17)

The following requirements in Chapter 17 apply only to floating rate Mortgages under the Targeted Affordable Housing Cash Mortgage Purchase Program:

- Section 17.3(a): Interest rate calculation
- Section 17.3(b): Term
- Section 17.3(c): Prohibition against prepayment
- Section 17.3(d): Prepayment premium
- Section 17.3(f): Late charges and default interest

d. Additional underwriting requirements for cash purchases of Mortgages with LIHTC (06/15/23)

Freddie Mac purchases Mortgages used for the acquisition or refinancing of a Property that has received a LIHTC allocation. Additional LIHTC requirements are outlined below.

1. Property and Borrower Principal

The Borrower Principals must be able to demonstrate experience in the development and operation of LIHTC properties. The Property must be LIHTC-eligible and must attain 90 percent occupancy for the 90 days prior to the Origination Date.

2. LIHTC Syndicator

The LIHTC Syndicator must have a demonstrated track record with properties comparable to the Property in scale, complexity and regulatory compliance requirements. The Seller/Servicer must submit the LIHTC Syndicator's recapture history over the past five years.

3. Underwriting gross potential rent (GPR) for LIHTC units

For LIHTC units, Freddie Mac uses the lower of achievable rents or the maximum allowable LIHTC rent for each required income level and unit type. Freddie Mac also considers whether the Property will have an affordability gap; that is, whether the underwritten LIHTC rent is 10 percent or greater (on average) less than market rent. If the affordability gap is less than 10 percent, Freddie Mac will determine whether the Property has other advantages that will enable it to compete successfully with properties that have no rent restrictions.

Because the maximum allowable LIHTC rent is equal to the gross maximum allowable LIHTC rent less a documented utility allowance, Freddie Mac will review the utility allowance calculation for each unit type. If the utility allowance increases during the underwriting period (prior to rate-lock), Freddie Mac will reflect this increase in the underwritten rent.



- For a LIHTC Property located in a market with no direct LIHTC comparables, Freddie Mac assesses local market conditions to determine the achievable rent at the Property.
- For LIHTC units, Freddie Mac may use higher rents if HUD has announced, in writing, an increase in the Area Median Income (AMI).

For units benefiting from other forms of subsidy, such as Section 8 or Section 2.36, see Sections 23.3 and 23.4, respectively.

e. Additional underwriting requirements for Preservation Rehabilitation
(~~06/15/23~~12/12/24)

Preservation Rehabilitation is designed to assist in the long-term preservation of affordable housing, providing an immediate execution for a Property that requires a moderate level of planned renovations. The following Property types are eligible: (a) Properties with newly issued LIHTC (both 4% and 9%), and (b) Non-LIHTC Properties.

Freddie Mac will underwrite the loan to include the entire cost of the anticipated rehabilitation prior to the commencement of rehabilitation. The proceeds can be used for the acquisition and rehabilitation of the Property.

A cash Mortgage with 9% LIHTC, 4% LIHTC or a Non-LIHTC Property is eligible for the Preservation Rehabilitation product. Additional requirements are outlined below.

1. Definition of Preservation Rehabilitation

Freddie Mac defines “Preservation Rehabilitation” as rehabilitation work costing no more than \$60,000 per unit. For a cash Mortgage, all work must be completed and the Property must reach stabilization within 24 months of the Origination Date.

2. Property and Borrower Principal

The Borrower Principals must demonstrate experience in the rehabilitation of multifamily properties with tenants in place and, if applicable, must work with an experienced LIHTC Syndicator.

3. Mortgage structure and security

Freddie Mac will underwrite the loan based on projected post-rehabilitation NOI, but requires additional collateral until stabilization to fund any gap between the level of debt the Property is able to support based on its current NOI and the Mortgage amount supported by the post-rehabilitation NOI. Freddie Mac will underwrite current income and expense and current NOI separately from post-rehabilitation income and expense and NOI.

The additional collateral held until stabilization must be either a cash escrow (the “Rehabilitation Reserve”) or a letter of credit from a bank listed on the Multifamily Approved Counterparty List. The Rehabilitation Reserve or letter of credit must be sized to equal the post-rehabilitation portion of the Mortgage plus 45 days interest. The amount



of the additional collateral is sized as the difference between the UPB supported by the “as-stabilized” NOI and the UPB supported by the “as-is” NOI.

The letter of credit cannot be secured by a lien on the Property, and it cannot expire earlier than 60 days after the term of the Preservation Rehabilitation period. The letter of credit must comply with the requirements of the Guide and the Loan Documents.

4. Payment type and interest rate type

- During the Preservation Rehabilitation period, up to two years of interest-only payment is available.
- Fixed, Floating or Float-to-Fixed (Flex TEL) are available. Flex TEL is a float-to-fixed execution that is unique to Preservation Rehabilitation. Flex TEL loans feature a variable rate during rehabilitation and convert to a fixed rate at the end of rehabilitation.

5. Maturity risk analysis

The refinance test is not required for a Mortgage with a loan term and amortization period of 15 years or more. However, if the Mortgage is underwritten with an excess rent component (also referred to as “HAP Overhang”), then the Mortgage must pass a refinance test, regardless of the term of the Mortgage.

6. Loan sizing

See the [Preservation Rehab](#) term sheet.

7. Guaranties

The Borrower must provide Freddie Mac with a guaranty of completion for the rehabilitation work to be done and an operating deficit guaranty for the term of the rehabilitation plus the length of any post-rehabilitation lease-up required.

8. Reserves (escrows)

Freddie Mac requires a Replacement Reserve and Reserves for the payment of real estate taxes and insurance premiums.

Separate Reserves for Priority Repairs and/or Green Improvements may be waived if work is included in the proposed rehabilitation budget. See paragraph 9 below for additional information.

9. Rehabilitation permitted

The rehabilitation work must cost no more than \$60,000 per unit.

Priority Repairs, ~~Operational Repairs~~ and Green Improvements may be included in the rehabilitation work budget provided they are clearly delineated. If included in the rehabilitation work budget, timing requirements found elsewhere in the Guide for Priority Repairs, ~~Operational Repairs~~ and Green Improvements are not applicable for



Preservation Rehabilitation Mortgages. Instead, the time limits for the rehabilitation work will apply.

10. Tenant displacement

The Borrower must demonstrate no significant disruption to income during the rehabilitation process. Freddie Mac will review the Borrower's rehabilitation plan and assess the impact to the DCR during rehabilitation; at Freddie Mac's discretion, tenants may be displaced temporarily. However, the work must not displace a significant number of tenants from their units for a material amount of time or for a period of time long enough to trigger non-payment of rent that would cause the Property's income to suffer material decline.

11. Documentation

Freddie Mac may request renovation documentation as part of the underwriting package. See Section 55.2 for a description of renovation documentation.

The Appraisal must include the following four values:

- The as-is market value, with restricted rents
- The as-is market value, without restricted rents
- The hypothetical as-if renovated and stabilized today market value with restricted rents
- The hypothetical as-if renovated and stabilized today market value without restricted rents

See Section 60.28 for additional requirements for Appraisals for Preservation Rehabilitation Mortgages.

Additional requirements for documentation may be specified in the Rehabilitation Escrow Agreement; see paragraph 14 below.

12. Construction monitoring

Freddie Mac requires the rehabilitation to be monitored by a licensed architect/engineer, who may be a member of the Seller/Service's staff or a third party consultant.

13. Rehabilitation Escrow Agreement

The Borrower must enter into a Preservation Rehabilitation Escrow Agreement based on a scope of rehabilitation work that Freddie Mac approves. The Preservation Rehabilitation Escrow Agreement may be in the form of a rider to the Loan Agreement or a Continuing Covenant agreement depending on the loan product type. The agreement will

- Establish the scope of the rehabilitation work as well as the requirements for the release of loan proceeds and other funds during the rehabilitation



- Specify third party reports and documentation
- Include Borrower obligations
- Allow for monitoring by the Seller/Servicer and Freddie Mac during rehabilitation
- Provide terms for release of the Rehabilitation Escrow, if applicable

14. Payment and performance bonds

Payment and performance bonds are required under either of the following circumstances:

- If the general contractor used to complete the construction work is unrelated to the Borrower
- If the general contractor is related to the Borrower and will use subcontractors for major elements of the rehabilitation, including:
 - Replacing heating boilers or air chillers
 - Replacing plumbing or electrical systems
 - Site grading
 - Roof replacement
 - Window replacement
 - Environmental remediation

Requirements for the payment and performance bonds are as follows:

- They must be on a form acceptable to Freddie Mac
- They must cover 100 percent of the amount of the applicable construction contract
- The surety must be licensed through the State in which it operates
- The surety must have a rating of at least A-9 from A.M. Best Company, Inc. or an equivalent rating from a comparable ratings agency
- The Seller/Servicer, together with its successors and assigns, must be named a dual obligee

Payment and performance bonds may not be required if all construction monitoring requirements remain in place and any of the following conditions are met:

- The amount of the construction contract represents less than 15 percent of the UPB
- The LTV of the Mortgage is 65 percent or less



- Cash or a letter of credit in the amount of 15 percent of the total construction contract is provided, and the letter of credit counterparty is acceptable to Freddie Mac

f. Additional underwriting requirements for TAH Mortgages with subordinate debt (04/27/18)

Freddie Mac will consider subordinate debt subject to the requirements below. The terms acceptable to Freddie Mac will vary based on the nature of the entity providing the subordinate debt. All subordinate lenders (providing hard subordinate debt or soft subordinate debt, as defined below) must execute the Freddie Mac form of subordination agreement appropriate to the nature of the entity providing the subordinate debt.

Permitted lenders include Governmental Entities and Nonprofit Entities. If the proposed third-party subordinate debt lender is not a Governmental Entity or a Nonprofit Entity, the Seller/Servicer must contact its Freddie Mac representative.

Freddie Mac distinguishes between two types of subordinate debt, as follows:

- “Hard subordinate debt” is debt that is similar, but junior, to TAH Mortgage debt in payment structure and is secured by a subordinate mortgage on the Property. The subordinate mortgage gives the lender the ability to exercise remedies in the event of a monetary or non-monetary default of the subordinate debt.
- “Soft subordinate debt” is (i) debt for which there is no debt service payable during the term of the TAH Mortgage(s) or (ii) debt that is payable only from available cash flow. The subordinate lender may have the ability to exercise remedies if the borrower incurs a monetary or non-monetary default. Soft subordinate debt may be secured by a subordinate mortgage on the Property.

1. Hard subordinate debt

- The minimum combined amortizing DCR is 1.10x.
- For a subordinate lender that is a Governmental Entity or a Nonprofit Entity, the maximum combined LTV is 100 percent. For a subordinate lender that is not a Governmental Entity or a Nonprofit Entity, the maximum combined LTV is 90 percent.
- Hard subordinate debt must mature at least six months after the maturity date of the last maturing TAH Mortgage.
- Interest on hard subordinate debt may not accrue.

2. Soft subordinate debt

- There is no preset minimum combined DCR or maximum combined LTV.
- Soft subordinate debt must mature at least six months after the maturity date of the last maturing TAH Mortgage.
- Any payment of debt service on soft subordinate debt must not, in the aggregate, exceed 75 percent of surplus cash flow after the payment of operating expenses,



Replacement Reserve contributions, contributions to Reserve accounts (for example, Reserves for taxes and insurance), and debt service on the TAH Mortgage(s).

- Unpaid interest may accrue, but only on a simple interest basis.

g. Additional underwriting requirements for TAH Bridge Loans (06/15/23)

TAH Bridge Loans include: (a) Bridge to Resyndication Mortgages, (b) Bridge to Syndication Mortgages, and (c) Non-LIHTC Bridge Mortgages. All of these TAH Bridge Loan offerings provide short-term cash loans for the purpose of acquiring or refinancing a Property and either: (a) completing the LIHTC resyndication process, (b) completing the LIHTC syndication process or (c) positioning the Property for long-term Non-LIHTC financing. The following underwriting requirements amend and supplement the requirements for TAH Cash Mortgages:

1. Maximum term

The maximum term is two years with one 6-month extension based on the Borrower's request and granted at the discretion of Freddie Mac. Freddie Mac will base its approval of the request on the progress made toward LIHTC resyndication, syndication or Non-LIHTC financing, as applicable.

2. Borrower and Borrower Principal

Borrowers must meet the following requirements:

- **Bridge to Resyndication Mortgage:** The general partner or managing member, as applicable, of the Borrower must be a highly experienced LIHTC developer/owner who has successfully completed multiple resyndications using 4% LIHTC and tax-exempt debt.
- **Bridge to Syndication Mortgage:** The general partner or managing member, as applicable, of the Borrower must be a highly experienced LIHTC developer/owner who has successfully completed multiple syndications or resyndications using 4% LIHTC and tax-exempt debt.
- **Non-LIHTC Bridge Mortgage:** The general partner or managing member, as applicable, of the Borrower must have financial capacity in an amount required by lender and have successfully completed multiple property rehabilitations on rent/income restricted properties or Naturally Occurring Affordable Housing properties.

Borrower Principals for each product above with less than three years of ownership must have 15 percent or more of cash equity.

3. Property eligibility

(i) Bridge to Resyndication and Bridge to Syndication Mortgages

Bridge to Resyndication and Bridge to Syndication Mortgages must meet the requirements provided in the table below:

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Product	Property	Borrower	Evidence of 4% LIHTC eligibility
Bridge to Resyndication	Must be stabilized with LIHTC-eligible rent levels and evidence of LIHTC-eligible tenancy. Most eligible properties will be LIHTC properties at or nearing the end of their compliance period.	The Borrower must provide evidence that a public agency with authority to issue bonds has sufficient tax-exempt bond or loan volume cap to meet the allocation needs of the anticipated LIHTC resyndication or syndication and has a highly predictable process for that allocation.	Upon delivery of the final underwriting package, the Borrower must provide evidence of the Property's eligibility for 4% LIHTC per the known guidelines of the State in which the Property is located.
Bridge to Syndication	Must either be stabilized with LIHTC-eligible rent levels and evidence of LIHTC-eligible tenancy, or plan to obtain tax credits to complete rehabilitation.		

(ii) Non-LIHTC Bridge Mortgages

The Property must meet the affordability requirements for the market that it is located in, as determined by Freddie Mac, and must have Non-LIHTC financing sources acceptable to Freddie Mac as described in the TAH Bridge Loan term sheet or meet the Freddie Mac Preservation definition. The Property may require moderate rehabilitation; however, the only construction that may be completed during the term of the Non-LIHTC Bridge Mortgage would be any required life-safety repairs or material deferred maintenance.

4. Payment type and interest rate type

- Full term interest only payments are available
- Floating rate, uncapped interest is available

5. Loan sizing

See the TAH [Bridge Loan](#) term sheet.



6. Reserves

Freddie Mac requires

- Reserves for the payment of real estate taxes, insurance premiums and Priority Repairs
- A Replacement Reserve to be calculated based on a 7+2-year term.

7. Additional considerations

For the following items, the Loan Documents will stipulate performance benchmarks that must be reached within the Mortgage term and the dates for achieving the benchmarks:

- **Bridge to Resyndication or Bridge to Syndication Mortgages**

- Bond inducement resolution
- The 4% tax credit allocation
- Preliminary plans, specifications and budget for rehabilitation, in sufficient detail to enable Freddie Mac to understand the extent of the rehabilitation work
- LIHTC Investor commitment
- Commitments from all other sources necessary to close the LIHTC resyndication or syndication

- **Non-LIHTC Bridge Mortgages**

- Draft commitments from anticipated Non-LIHTC financing sources, due no later than the end of the last full calendar year prior to maturity
- Preliminary plans, specifications and budget for rehabilitation, in sufficient detail to enable Freddie Mac to understand the extent of the rehabilitation work, due no later than the end of the last full calendar year prior to maturity
- Final commitments from all Non-LIHTC sources at least 60 days prior to the loan maturity date

19.3 Delivery options; approval by TAH Underwriting Supervisor (04/15/21)

There are two delivery options available for Targeted Affordable Housing Cash Mortgages: the standard delivery option and the early rate-lock delivery option.

For Targeted Affordable Housing Cash Mortgages, the applicable provisions of Chapter 27 apply with respect to each of these options, provided that, notwithstanding anything in Chapter 27 to the contrary, the LST, the preliminary underwriting package and the full underwriting package, as applicable, must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.



Summary report:	
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<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	19

Multifamily Seller/Servicer Guide

Chapter 41

Transfers of Ownership



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41.1 Transfers of Ownership in the Property or in the Borrower (04/18/24)

As used in this Chapter 41, the term “transferee” refers to

- The new Borrower if the proposed transaction is a Transfer of Ownership in the Property with an assumption of the loan, or
- The new owner of interests in the Borrower if the proposed transaction is a Transfer of Ownership interests in the Borrower.

a. **Applicability, use of the Consent Request Tracker and review of General Loan Information (04/18/24)**

This chapter states the procedures for Servicers to use with respect to permitted, conditionally permitted, and prohibited Transfers of Ownership in the Property (assumptions) and Transfers of Ownership interests in the Borrower.

For each Transfer of Ownership, the Servicer must:

- Use the Consent Request Tracker (CRT) to record date milestones, status information, comments and the date of a Servicer’s decision on individual Borrower requests for lender consent in accordance with Section 36.25. CRT can also be used to upload any applicable documentation for the consent request instead of separately opening Document Management System (DMS) to upload the documents.
- Review the General Loan Information (GLI) (for example, Property name and total units) to ensure that the GLI data is accurate, and send any corrections via email to MF_Asset_Perf@freddiemac.com

b. **Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (04/29/16)**

1. **Electronic delivery**

When this chapter requires electronic delivery of any document, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify:

- For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Asset Management, Borrower Transactions*
- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, Targeted Affordable Housing Mortgages or Credit Facilities, *Multifamily Asset Management, Structured Transactions*
- For all other Mortgages, *Multifamily Asset Management, Borrower Transactions*

2. **Delivery of original documents to Freddie Mac**



When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must

- Upload the document into DMS, and
- Deliver the original to
 - For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Asset Management, Borrower Transactions*
 - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, Targeted Affordable Housing Mortgages or Credit Facilities, *Multifamily Asset Management, Structured Transactions*
 - For all other Mortgages, *Multifamily Asset Management, Borrower Transactions*

3. Delivery of notices to Freddie Mac

When this chapter requires email delivery of a notice to Freddie Mac, the Servicer must direct the email to

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, Targeted Affordable Housing Mortgages or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
- For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

c. Delivery of documents and notices to Freddie Mac following a Transfer of Ownership (04/29/16)

1. Electronic delivery

When this chapter requires electronic delivery of any document following a Transfer of Ownership, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into DMS and using the “File Submission” link to notify:

- For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Purchase*
- For structured transactions, Tax Exempt Bond Credit Enhancement Mortgages, acquisition rehabilitation/lease-up/moderate rehabilitation loan products, Targeted Affordable Housing Mortgages or credit facilities, *Multifamily Asset Management, Structured Transactions*
- For all other Mortgages, *Multifamily Purchase*



2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver the original to
 - For Transfers of Ownership occurring in conjunction with origination of a Supplemental Mortgage, *Multifamily Purchase*
 - For structured transactions, Tax Exempt Bond Credit Enhancement Mortgages, acquisition rehabilitation/lease-up/moderate rehabilitation loan products, Targeted Affordable Housing Mortgages or credit facilities, *Multifamily Asset Management, Structured Transactions*
 - For all other Mortgages, *Multifamily Purchase*

d. Seller/Servicer obligation to screen existing and new Borrowers, Borrower Principals and Non-U.S. Equity Holders (09/01/16)

Within five Business Days after the Transfer of Ownership occurs, the Servicer must electronically deliver the following certification to Freddie Mac in a letter on the Seller/Servicer's stationery:

- "Servicer certifies that it has determined that none of [insert the Borrower, new Borrower Principals, new Non-U.S. Equity Holders or new property management company, as applicable] are the target of any sanctions law administered or enforced by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), including a person or entity identified on the most current OFAC Specially Designated Nationals and Blocked Persons (SDN) List or OFAC Consolidated Sanctions List; and
- Servicer certifies that it has reviewed the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List in accordance with Section 2.24 of the Guide and that none of the [insert Borrower, new Borrower Principals or new property management company, as applicable] are identified on the FHFA SCP List, subject to any conditions or exclusions set forth in any applicable FHFA SCP final suspension order published on FHFA's SCP website."

See Sections 41.3(c) and 41.6(g) for requirements for submitting this certificate with the required documentation for a Transfer of Ownership.

The Servicer must also conduct the Exclusionary List review as provided in Section 2.18.

41.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)

Loan Documents have varying provisions regarding Transfers of Ownership. The Servicer and its counsel must carefully review the applicable Loan Documents to determine what, if any, Transfers of Ownership are permitted and what the conditions are for reviewing those Transfers of Ownership.



a. Mortgages that permit transfers without the consent of the Lender (04/18/24)

Certain Loan Documents permit Transfers of Ownership without consent of the lender, and without specific pre-authorization provisions. Mortgages purchased through the Multifamily Negotiated Transactions Program may fall under this category.

The Servicer must take the following actions:

1. Enter the permitted transfer into the Consent Request Tracker within five Business days after learning of it, and must, at that time, include the name of the transferee, the date of the Transfer of Ownership, and the terms of the transfer, if known. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver supporting documentation such as an organizational chart and organizational documents to Freddie Mac
3. Ensure that all insurance policies reflect the new ownership

A confirmation email will be sent by Freddie Mac if Freddie Mac concurs that the transfer is permitted under the terms of the Loan Documents.

For Transfers of Ownership permitted by Mortgages described in this section, the application and approval provisions of this chapter do not apply, and neither Freddie Mac nor the Servicer will impose a review/processing fee or transfer fee (other than as set forth in the Loan Documents).

b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)

Some Loan Documents contain provisions that pre-authorize certain Transfers of Ownership that have been underwritten at the time of the origination or prior assumption of the Mortgage. See Section 41.3 for the procedures for approval and documentation of a conditionally permitted Transfer of Ownership.

c. Mortgages that prohibit transfers without the consent of the Lender (04/18/24)

If the Loan Documents contain a provision that states that the lender may or will permit an otherwise prohibited Transfer of Ownership if the proposed transferee meets certain standards as to credit, management ability or other matters, the Property (and interests in a Borrower entity that are covered by the transfer language) may be transferred, but only subject to the provisions of Sections 41.4 through 41.8.

41.3 Conditionally Permitted Transfers of Ownership (06/13/24)

a. Notice to Freddie Mac (04/18/24)

Within two Business Days after receiving notice of a conditionally permitted Transfer of Ownership – whether that notice is received prior or subsequent to that Transfer of Ownership – the Servicer must enter the applicable information into the Consent Request Tracker.



1. If the Servicer receives notice of a conditionally permitted Transfer of Ownership after the Transfer of Ownership is completed, the Servicer must
 - Confirm that the Transfer of Ownership is conditionally permitted under the terms of the Loan Documents and
 - Deliver any documentation required by the terms of the conditional permission provisions in the Loan Documents and remit any applicable fees to Freddie Mac as described in 41.3(b) - (e)
2. If the Servicer receives notice of a conditionally permitted Transfer of Ownership prior to the date of the transfer, then promptly following the Servicer's receipt of notice from the Borrower, the Servicer must electronically deliver to Freddie Mac each of the following:
 - Copies of any documentation required by the terms of the pre-authorization provisions in the Loan Documents
 - Preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 and confirming that the transfer is conditionally permitted under the terms of the Loan Documents
 - Servicer's written certification that the Transfer of Ownership meets all the requirements for a conditionally permitted Transfer of Ownership under the terms of the Loan Documents

If Freddie Mac concurs that the transfer is conditionally permitted under the terms of the Loan Documents, Freddie Mac will issue an Acknowledgment of Conditionally Permitted Transfer. The Servicer must then deliver the documentation and remit the applicable fees as described in 41.3(b) - (e).

b. Delivery of documents requiring Freddie Mac signature (06/29/18)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least three Business Days prior to the date of the conditionally permitted Transfer of Ownership.

c. Transfer documentation – electronic delivery (06/13/24)

Not later than five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must electronically deliver the following documents if required by the Loan Documents and/or the Freddie Mac Acknowledgment of Conditionally Permitted Transfer:

1. Servicer's certification(s) regarding Borrower and organizational documents, if applicable
2. Servicer's OFAC/FHFA SCP certificate as required by 41.1(d)
3. Reserved



4. An executed Form 1115, Borrower and Key Borrower Principal Certificate, as detailed in Section 55.2, for each transferee and new Key Borrower Principal, as applicable
5. Preliminary legal issues memorandum (PLIM), if not previously provided to Freddie Mac
6. If applicable, a certified copy of any recorded documents such as a Memorandum of Loan Assumption Agreement or a UCC Financing Statement
7. Transfer of Interest Reaffirmation Agreement, if applicable
8. Guaranty Assumption and Loan Modification Agreement, if applicable
9. Assignment of Management Agreement, if applicable
10. Freddie Mac Acknowledgement of Conditionally Permitted Transfer, acknowledged by the Servicer (if required by the terms of the Acknowledgment), if not previously uploaded to DMS
11. Opinions, if applicable
12. Any other documents required by the terms of the Loan Documents or the Freddie Mac Acknowledgement of Conditionally Permitted Transfer

d. Post-transfer documentation – delivery of originals (04/18/24)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must deliver to Freddie Mac originals of any amendment to any Note, Guaranty or any other Loan Document for which delivery of an original is required under the Final Delivery Table of Contents.

e. Remittance of fees (06/29/18)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must remit by wire transfer to Freddie Mac any fees required pursuant to the terms of the pre-authorization provisions of the Loan Documents, in accordance with the requirements of Section 41.9.

41.4 Transfer of Ownership requiring Freddie Mac consent – application for approval (08/15/24/12/12/24)

Within two Business Days after receiving a request for a Transfer of Ownership, the Servicer must enter the applicable information into the Consent Request Tracker.

If an Equity Conflict of Interest exists as defined in Section 2.25, the Servicer must provide *Multifamily Asset Management, Borrower Transactions* a written statement that discloses the nature and extent of that Equity Conflict of Interest within three Business Days after receiving the Borrower's request for approval of the Transfer of Ownership.

The Servicer must electronically submit all items required for a complete review package and the Servicer's recommendation, including the applicable information required pursuant to Sections 41.4(a), (b) and (c), to Freddie Mac at least 15 days prior to the proposed date of the



Transfer of Ownership. The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local laws or regulations.

a. Basic information required (~~08/15/24~~12/12/24)

In this Section, the term “new sponsor” refers to any Key Borrower Principal of the proposed new Borrower following a Transfer of Ownership in the Property.

Promptly following receipt of the existing Borrower’s notification of the pending Transfer of Ownership, the Servicer must collect the information listed below from each of the following:

- For a Transfer of Ownership interests in the Borrower, the proposed new Key Borrower Principals
 - For a Transfer of Ownership in the Property, the existing Borrower and proposed new sponsor
1. A nonrefundable review/processing fee in accordance with Section 41.9
 2. A completed Transfer of Ownership/Assumption Request, available via FreddieMac.com, including:
 - The Servicer’s thorough analysis of the risks, strengths and weaknesses associated with the proposed transfer
 - The Servicer’s justification and support for its recommendations with respect to any requests for waivers or document modifications
 - The Servicer’s recommendations regarding the need for adjustment to any Impositions or Reserves
 - The Servicer’s explanation of the terms of any seller take-back financing or other Subordinate Financing
 - The Servicer’s explanation of any unusual proposed transferee structure or structure of a transaction done for tax purposes
 - Information regarding any deadline for a real estate exchange done pursuant to Internal Revenue Code Section 1031 and any subsequent transfers that will be requested
 3. A copy of the executed contract of sale or other transfer agreement, letter of intent, or other indication of the existing Borrower’s intent to transfer an ownership interest in the Property or in the existing Borrower, together with a Purchase Agreement Analysis form (as described in Section 55.2).
 4. Current financial statements of the proposed transferee and each proposed new Key Borrower Principals, as described in Section 55.2



5. An executed Form 1115, Borrower and Key Borrower Principal Certificate, for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55.2
6. An executed Form 1116, Real Estate Schedule, for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55.2
7. Information concerning the managerial experience of the proposed transferee (if not otherwise fully reflected on Form 1115), and the proposed paid professional manager, if applicable, as detailed in the mortgage transaction narrative analysis description in Section 55.2
8. Proposed Borrower organizational chart, which must include
 - Each entity's name, State of formation, and type (e.g., Delaware limited liability company)
 - Each party's ownership percentage
 - Each party's role (e.g., Principal, Guarantor, manager, general partner, etc.)
9. Current financial statements for the Property including a trailing 12-month statement, each certified by the existing Borrower in the manner described in Section 55.2, together with the Servicer's analysis of those statements. If the two most recent certified calendar year financial statements have been submitted to Freddie Mac via the Property Reporting System (PRS), the Servicer may make a statement to that effect on the Transfer of Ownership/Assumption Request and need not attach the calendar year statements unless requested to do so by Freddie Mac.
10. Either a property condition report prepared by a property condition consultant in compliance with Chapter 62 or a Form 1108, Physical Risk Report prepared in compliance with Chapter 66 if any of the following apply:
 - The Property was built more than 15 years previously
 - The most recent Annual Inspection Form (AIF) noted significant Deferred Maintenance
 - The buyer proposes significant capital improvements

Form 1108 is an option only for a Mortgage

- With an initial principal balance of \$20 million or less, or a Supplemental Mortgage where the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate
 - That is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage
11. If neither a property condition report nor a physical risk report is required pursuant to Section 41.4(a)(10) above, and if the most recent AIF is dated more than six months prior to submission of the transfer request (or 12 months for an SBL Mortgage), then the Servicer



must conduct a physical inspection of the Property and deliver an updated AIF to Freddie Mac.

12. Copies of all current property reports obtained in connection with the Transfer (e.g., Appraisal, property condition, environmental report, physical risk report, the Level 1 Seismic Risk Assessment (SRA), etc.)
13. A current credit report for any proposed ~~new Borrower or each~~ Guarantor that is an individual, as detailed in Section 55.2
14. A preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4
15. Written certification of the Servicer that there is no uncured event of default or any event, act, or condition that, but for the giving of notice or the passage of time, would constitute an event of default
16. For a Transfer of Ownership that does not involve a transfer of title to the Property, a Certified Organizational Chart (including Form 1114, Certification – Organizational Chart) for the Borrower as constituted prior to the proposed Transfer of Ownership
17. 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

b. Additional information required for Transfers of Ownership of title to the Property (09/28/18)

If title to the Property will change as a result of the Transfer of Ownership, the Servicer must provide the following additional information to Freddie Mac:

1. Organizational documents of the proposed Borrower, together with Servicer's certification that it has reviewed the organizational documents and that they comply with the requirements of Section 9.7
2. Certified Organizational Chart of the proposed Borrower, together with the Form 1114, Certification — Organizational Chart
3. If the proposed new Borrower is an existing entity, Uniform Commercial Code (UCC) financing statement search for the proposed new Borrower dated within 30 days prior to the date of the Transfer of Ownership request and meeting the requirements of Section 29.4
4. Title update report dated no earlier than 30 days before the date of the Transfer
5. An explanation meeting the requirements of Section 29.2 for any title exception that did not appear on the title policy that was issued when the Mortgage was originated, with a copy to the applicable *Multifamily Attorney*
6. The proposed new Borrower's first year budget for the Property
7. Evidence of insurance, as described in Section 31.19(b)



c. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)

The Servicer must deliver each of the following to Freddie Mac at least five Business Days prior to the date of the proposed Transfer of Ownership:

1. A draft property management agreement in essentially final form
2. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Certified Organizational Chart must include the elements set forth in the Organizational Chart Interactive Guidance at https://mf.freddiemac.com/lenders/asset/_under Asset Management References.

41.5 Prohibited Transfer of Ownership requiring Freddie Mac consent – review of the application (06/29/18)

Freddie Mac will evaluate the application and the Servicer's recommendation in accordance with Freddie Mac's credit policies and the terms of the Loan Documents. Factors to be considered may include the following:

- The net income of the Property before debt service and depreciation
- The Debt Coverage Ratio (DCR) and the Loan to Value Ratio (LTV)
- The Property condition
- The proposed transferee's equity in the Property
- The proposed transferee's previous management experience and its ability to maintain or increase the net income of the Property
- The proposed transferee's and proposed Guarantor's financial statements and credit history (evidence that each has the ability to repay the Mortgage and evidence that each has repaid or is repaying other loans according to their respective terms)
- The terms and conditions of any Subordinate Financing

41.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/18/24)

a. Approval (10/07/08)

If Freddie Mac approves the application for the Transfer of Ownership, Freddie Mac will issue an approval letter containing the terms and conditions of its approval.

b. Preparation and review of the documents by the Servicer's counsel (11/30/12)

Chapter 6 sets forth the responsibilities of the Servicer and its legal counsel in connection with a Transfer of Ownership.



The Servicer must obtain the necessary legal documentation to ensure that the existing obligations under the Mortgage remain in full force and effect and that the parties to the Loan Documents continue to be bound by all the terms and provisions of the Mortgage to the extent required by Freddie Mac's approval. The Servicer's counsel must prepare and review the necessary documents in accordance with Section 6.11.

c. Freddie Mac's review of draft documents (11/30/12)

At least 10 Business Days prior to the anticipated closing date for the Transfer of Ownership, the Servicer must submit the documents to Freddie Mac via email for Freddie Mac's review and approval.

d. Execution of documents by Freddie Mac (04/18/24)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least five Business Days prior to the date of the Transfer of Ownership.

e. Recordation (11/30/12)

Following closing of the Transfer of Ownership, the Servicer must arrange for any recordation commonly required by private institutional mortgage investors or required by law to ensure the priority of Freddie Mac's lien. The Servicer must complete such recordation at no cost to Freddie Mac.

f. Remittance of fees (11/30/12)

Within five Business Days after the Transfer of Ownership, the Servicer must remit the following to Freddie Mac in accordance with the requirements of Freddie Mac's approval of the Transfer of Ownership and Section 41.9:

- The Freddie Mac counsel fee to Freddie Mac or its outside counsel
- The balance of any transfer fee due to Freddie Mac

g. Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/18/24)

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

Within five Business Days after the Transfer of Ownership, the Servicer must electronically deliver each of the following documents to Freddie Mac, unless delivery of an original is specified:



1. Recorded transfer deed, if applicable, or other documentation evidencing the transfer (certified copy)
2. If an interest in the Property was transferred
 - a. Recorded Memorandum of Loan Assumption and Modification Agreement (certified copy)
 - b. Signed settlement statement (copy)
 - c. Endorsement to the existing title policy or a new title policy stating the name of the new Borrower, reflecting the recordation of the Assumption Agreement and evidencing that the effective date of the policy is the date of recordation of the Assumption Agreement and that there are no intervening liens from the date of the original title policy insuring the First Lien until the Transfer of Ownership (copy). If the proposed new Borrower obtains a new title policy, that title policy must meet all of the requirements of Sections 29.1 through 29.3. Freddie Mac reserves the right to require a new title policy rather than to accept an endorsement to the original title policy.

Note: For assumptions involving Property located in Texas, in lieu of a new title policy or down-date endorsement to the original title policy, it is acceptable to provide both of the following:

 - A certificate from the Title Company that issued the existing title policy, dated no earlier than the date of recordation of the Loan Modification and Assumption Agreement, listing all matters that affect title to the Property which have been placed of record since the effective date of such title policy
 - A T-38 Endorsement
 - d. Explanation meeting the requirements of Section 29.2 of the Guide for any title exception that did not appear on the title policy that was issued when the Mortgage was originated.
3. Signed Guaranty, if applicable (original)
4. Signed Guaranty Assumption and Modification Agreement, if applicable (original)
5. Signed Transfer of Interest Reaffirmation Agreement, if applicable (original if Note or Guaranty is modified; otherwise, a copy)
6. Signed Loan Assumption and Modification Agreement, if applicable (original)
7. Signed Assignment of Management Agreement and Subordination of Management Fees, if applicable (copy), with a copy of the fully-executed property management agreement attached
8. If the proposed transferee is an entity, filed and recorded UCC financing statements in the name of the proposed transferee in accordance with the requirements of the Final Delivery Instructions found at mf.freddie.mac.com/lenders/purchase (certified copy)



9. Statement from the Servicer's counsel that it has examined the UCC search for the proposed transferee, that the search is dated no earlier than 30 days from the Transfer of Ownership and that the search does not indicate any previous filings (or, in the case of previous filings, that any such filings have been approved by Freddie Mac) (copy)
10. Opinions of proposed new Borrower's/new Guarantor's counsel, regardless of whether the new Guarantor is an individual or an entity (copy). The opinion of counsel must be addressed to Freddie Mac and must contain the provisions and opinions set forth in the Form of Opinion Letters available at mf.freddiemac.com/lenders/legal, as applicable.

Except as set forth below, the Servicer may accept modifications to the Form of Opinion Letter without Freddie Mac's prior review and written consent to such changes, provided that the Servicer remains able to make the warranties contained in Section 5.2(c) of the Guide and the proposed new Borrower and new Guarantor (if applicable) meet the requirements of Section 9.7 of the Guide.

For a Mortgage securing a Seniors Housing Property, a cross-collateralized and/or cross-defaulted Mortgage, or a Mortgage for which the Freddie Mac Approval of the Transfer of Ownership requires a specific legal opinion in addition to the Form of Opinion Letter, the Servicer must submit a copy of the opinion marked to indicate clearly the additions to and deletions from the appropriate Form of Opinion Letter and receive Freddie Mac's decision as to the acceptability of the additions and deletions before the Servicer completes the Transfer of Ownership.

NOTE: The counsel rendering the opinions must be acceptable to Freddie Mac, or to the Servicer if the Servicer is authorized to approve the opinion. The Freddie Mac Approval may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require the Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.

11. Signed Borrower's Certificate of Representations and Warranties (copy)
12. UCC along with indications of where filed (certified copy)
13. Servicer's OFAC/FHFA SCP certificate as required by 41.1(d)
14. Any other documents required by the Freddie Mac approval letter

h. Servicer's responsibilities following the Transfer of Ownership (04/18/24)

Following the closing of the Transfer of Ownership, the Servicer must

- For a Transfer of Ownership in the Property, promptly file and record UCC financing statement amendments evidencing the addition of new Borrower, as debtor, and the deletion of original Borrower, with respect to Lender's security interest in the fixtures and personal property of the transferor located on or related to the Property. The Servicer must file such UCC amendments, at the Servicer's expense, in each office in which a UCC financing statement has been filed or recorded



- Deliver to all parties concerned a copy of all documents listed in Section 41.6(g)
- Retain copies in the Mortgage File of the documents listed in Section 41.6(g)
- Provide all notices and disclosures required under applicable law or regulation
- Ensure all data fields in the CRT that are Servicer's responsibility to populate are completed
- Ensure that all insurance policies reflect the Transfer of Ownership
- Continue to service the Mortgage as required in the Purchase and Servicing Documents

i. Servicer's warranties in connection with a Transfer of Ownership (09/28/18)

When a Servicer delivers documentation for a Transfer of Ownership, the Servicer will be deemed to have made the warranties in Sections 5.2 through 5.5, 5.10 and 5.14 as of the date the documentation for a Transfer of Ownership is delivered to Freddie Mac.

41.7 Prohibited Transfer of Ownership - Declination of the application for Lender consent (06/29/18)

If Freddie Mac declines the application for Transfer of Ownership, the Servicer must send written notice of the decision to the Borrower and the proposed transferee on behalf of Freddie Mac, in a manner that complies with all applicable laws and regulations and the requirements of Section 10.13.

41.8 Unauthorized Transfers of Ownership (04/18/24)

If the Servicer suspects a prohibited Transfer of Ownership has taken place, the Servicer must act in a timely, efficient and responsible manner to carry out Freddie Mac's instructions and to fully protect Freddie Mac's interests as follows:

- Immediately notify Freddie Mac via email describing the circumstances of the possible prohibited Transfer of Ownership.
- Immediately contact the Borrower, the transferees that are not permitted or any party that may have been connected with the transfer to determine whether a prohibited Transfer of Ownership has occurred. If the Servicer confirms a prohibited Transfer of Ownership has in fact occurred, the Servicer must notify Freddie Mac via email at Multifamily Asset Management, Borrower Transactions or, for Structured Transactions, email Multifamily Asset Management, Structured Transactions.

a. Information to be provided to Freddie Mac (06/29/18)

The Servicer must electronically submit the following information to Freddie Mac within two Business Days after confirming that the prohibited Transfer of Ownership has occurred:

1. Information detailing the prohibited Transfer of Ownership (The letter must include the Freddie Mac loan number, the name of the Borrower, the property address, the names and addresses of all known parties connected with the prohibited Transfer of Ownership and



details of the discovery of the Transfer of Ownership.)

2. A written summary of any conversations between Servicer personnel and the Borrower or any party involved with the Transfer of Ownership
3. Any evidence of the prohibited Transfer of Ownership
4. Any other information requested by Freddie Mac

b. Property inspection (06/29/18)

Freddie Mac may request that the Servicer complete a Freddie Mac Annual Inspection Form (AIF) in connection with the prohibited Transfer of Ownership. Within 60 days of a request by Freddie Mac, the Servicer must inspect the Property and submit the AIF in accordance with the submission procedures in Chapter 40. If the Servicer is unable to fully inspect the Property, the Servicer must conduct an exterior inspection and identify any Deferred Maintenance. The Servicer must also conduct a market survey, which, along with past rental and expense information, is to be used by the Servicer to complete the AIF.

c. Additional Servicer obligations (06/29/18)

If the Servicer discovers any additional defaults during the investigation of the prohibited Transfer of Ownership, the Servicer must immediately notify Freddie Mac via email.

41.9 Fees (04/30/19)

a. Review/processing fee (09/18/14)

For loans allowing Transfers of Ownership subject to lender consent, unless otherwise provided in the Loan Documents, the Servicer must charge the Borrower a nonrefundable review/processing fee in the amount set forth in Exhibit 10.

The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac by wire transfer with the application for the Transfer of Ownership. The review/processing fee is in addition to the transfer fee and will not be applied to reduce the transfer fee. The Servicer may not charge the Borrower any additional fees for processing a Transfer of Ownership unless required by Freddie Mac.

b. Counsel fee (04/29/16)

At closing of the Transfer of Ownership, the Servicer must collect a nonrefundable counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, which may be either outside or in-house counsel. When Freddie Mac approves the Transfer of Ownership, Freddie Mac will issue a letter setting forth the amount of the counsel fee.

The Servicer may also require the Borrower to pay the Servicer's legal expenses and costs (for example, costs for searches, filings, title reviews and endorsements) relating to the Transfer of Ownership.



c. Transfer fee (09/18/14)

Unless otherwise set forth in the Loan Documents, for all approved Transfers of Ownership, Freddie Mac charges a nonrefundable transfer fee in the amount set forth in Exhibit 10. If the Loan Documents provide for different fees, the fees specified in the Loan Documents will apply.

NOTE: If the Transfer of Ownership involves a transfer of interests in the Borrower that does not result in a change in control of the Borrower, and if the Transfer of Ownership will not result in the addition of any new Borrower Principal(s), Freddie Mac may consider reducing or waiving the transfer fee upon written request from the Servicer.

At closing of the Transfer of Ownership, the Servicer must collect the transfer fee. Unless Freddie Mac provides otherwise in its approval letter, the Servicer must remit 50 percent of the transfer fee to Freddie Mac by wire transfer. The Servicer may retain the remaining 50 percent of the transfer fee.

d. Remittance of fees (04/30/19)

For all Transfers of Ownership, the Servicer must obtain wire transfer instructions from *Multifamily Asset Management, Borrower Transactions*.

The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 12/11/2024 10:20:55 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 41 - Transfers of Ownership GB-08-15-24.docx	
Modified filename: 41 - Transfers of Ownership GB-12-12-24.docx	
Changes:	
<u>Add</u>	6
<u>Delete</u>	7
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	13

Multifamily Seller/Servicer Guide

Chapter 41SBL

SBL Transfers of Ownership



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- a. Information to be provided to Freddie Mac (06/29/18)
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41SBL.9 Fees (04/30/19)

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- c. Transfer fee (12/14/18)
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41SBL.1 Transfers of Ownership in the Property or in the Borrower (04/18/24)

As used in this Chapter 41SBL, the term “transferee” refers to:

- The new Borrower if the proposed transaction is a Transfer of Ownership in the Property with an assumption of the loan, or
- The new owner of interests in the Borrower if the proposed transaction is a Transfer of Ownership interests in the Borrower

a. **Applicability; use of the Consent Request Tracker and review of General Loan Information (04/18/24)**

This chapter states the procedures for Servicers to use with respect to permitted, conditionally permitted and prohibited Transfers of Ownership in the Property (assumptions) and Transfers of Ownership interests in the Borrower.

For each Transfer of Ownership, the Servicer must:

- Use the Consent Request Tracker (CRT) to record date milestones, status information, comments and the date of a Servicer’s decision on individual Borrower requests for lender consent in accordance with Section 36.25. CRT can also be used to upload any applicable documentation for the consent request instead of separately opening Document Management System (DMS) to upload the documents.
- Review the General Loan Information (GLI) (for example, Property name and total units) to ensure that the GLI data is accurate, and send any corrections via email to MF_Asset_Perf@freddiemac.com.

b. **Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (06/30/16)**

1. Electronic delivery

When this chapter requires electronic delivery of any document, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify *Multifamily Asset Management, Borrower Transactions*.

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must upload the document into DMS and deliver the original to *Multifamily Asset Management, Borrower Transactions*.

3. Delivery of notices to Freddie Mac

When this chapter requires email delivery of a notice to Freddie Mac, the Servicer must direct the email to Freddie Mac *Multifamily Asset Management, Borrower Transactions*.



c. Delivery of documents and notices to Freddie Mac following a Transfer of Ownership (06/29/18)

1. Electronic delivery

When this chapter requires electronic delivery of any document following a Transfer of Ownership, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents onto the Freddie Mac Multifamily DMS and using the “File Submission” link to notify *Multifamily Purchase*.

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document onto DMS, and
- Deliver the original to Multifamily Purchase.

d. Seller/Servicer obligation to screen existing and new Borrowers and Borrower Principals, and Non-U.S. Equity Holders (09/01/16)

Within five Business Days after the Transfer of Ownership occurs, the Servicer must electronically deliver the following certification to Freddie Mac in a letter on the Seller/Servicer’s stationery:

- “Servicer certifies that it has determined that none of [insert Borrower, new Borrower Principals, new Non-U.S. Equity Holders or new property management company, as applicable] are the target of any sanctions law administered or enforced by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), including a person or entity identified on the most current OFAC Specially Designated Nationals and Blocked Persons (SDN) List or OFAC Consolidated Sanctions List; and
- Servicer certifies that it has reviewed the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List in accordance with Section 2.24 of the Guide and that none of the [insert Borrower, new Borrower Principals or new property management company, as applicable] are identified on the FHFA SCP List, subject to any conditions or exclusions set forth in any applicable FHFA SCP final suspension order published on FHFA’s SCP website.”

See Sections 41SBL.3(c) and 41SBL.6(g) for requirements for submitting this certificate with the required documentation for a Transfer of Ownership.

The Servicer must also conduct the Exclusionary List review as provided in Section 2.18.

41SBL.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)

Loan Documents have varying provisions regarding Transfers of Ownership. The Servicer and Single Counsel must carefully review the applicable Loan Documents to determine what, if any, Transfers of Ownership are permitted and what the conditions are for reviewing those Transfers of Ownership.

**a. Mortgages that permit transfers without the consent of the Lender (04/18/24)**

Certain Loan Documents permit Transfers of Ownership interests in the Borrower without consent of the lender, and without specific pre-authorization provisions.

The Servicer must take the following actions:

1. Enter the permitted transfer into the Consent Request Tracker within five Business days after learning of it, and must, at that time, include the name of the transferee, the date of the Transfer of Ownership, and the terms of the transfer, if known. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver supporting documentation such as an organizational chart and organizational documents to Freddie Mac.
3. Ensure that all insurance policies reflect the new ownership.

A confirmation email will be sent by Freddie Mac if Freddie Mac concurs that the transfer is permitted under the terms of the Loan Documents.

For Transfers of Ownership permitted by SBL Mortgages described in this section, the application and approval provisions of this chapter do not apply, and neither Freddie Mac nor the Servicer will impose a review/processing fee or transfer fee (other than as set forth in the Loan Documents).

b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)

Some Loan Documents contain provisions that pre-authorize certain Transfers of Ownership that have been underwritten at the time of the origination or prior assumption of the Mortgage. See Section 41SBL.3 for the procedures for approval and documentation of a conditionally permitted Transfer of Ownership.

c. Reserved (06/29/18)**d. Mortgages that prohibit transfers without the consent of the Lender (06/29/18)**

If the Loan Documents contain a provision that states that the lender may or will permit an otherwise prohibited Transfer of Ownership if the proposed transferee meets certain standards as to credit, management ability or other matters, the Property (and interests in a Borrower entity that are covered by the transfer language) may be transferred, but only subject to the provisions of Sections 41SBL.4 through 41SBL.8.

41SBL.3 Conditionally Permitted Transfers of Ownership (06/13/24)**a. Notice to Freddie Mac (04/18/24)**

Within two Business Days after receiving notice of a conditionally permitted Transfer of Ownership – whether that notice is received prior or subsequent to that Transfer of



Ownership – the Servicer must enter the applicable information into the Consent Request Tracker.

1. If the Servicer receives notice of a conditionally permitted Transfer of Ownership after the Transfer of Ownership is completed, the Servicer must:
 - Confirm that the Transfer of Ownership is conditionally permitted under the terms of the Loan Documents and
 - Deliver any documentation required by the terms of the provisions in the Loan Documents and remit any applicable fees to Freddie Mac as described in 41SBL.3(b) - (e).
2. If the Servicer receives notice of a conditionally permitted Transfer of Ownership prior to the date of the transfer, then promptly following the Servicer's receipt of notice from the Borrower, the Servicer must electronically deliver to Freddie Mac each of the following:
 - Copies of any documentation required by the terms of the pre-authorization provisions in the Loan Documents
 - Confirmation from Single Counsel that the transfer is conditionally permitted under the terms of the Loan Documents
 - Servicer's written certification that the Transfer of Ownership meets all the requirements for a conditionally permitted Transfer of Ownership under the terms of the Loan Documents

If Freddie Mac concurs that the transfer is conditionally permitted under the terms of the Loan Documents, Freddie Mac will issue an Acknowledgment of Conditionally Permitted Transfer. The Servicer must then deliver the documentation and remit the applicable fees as described in 41SBL.3(b) - (e).

b. Delivery of documents requiring Freddie Mac signature (06/29/18)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least three Business Days prior to the date of the conditionally permitted Transfer of Ownership.

c. Transfer documentation – electronic delivery (06/13/24)

Not later than five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must electronically deliver the following documents if required by the Loan Documents and/or the Freddie Mac Acknowledgment of Conditionally Permitted Transfer:

1. Servicer's certification(s) regarding Borrower and organizational documents, if applicable
2. Servicer's OFAC/FHFA SCP certificate as required by 41SBL.1(d)



3. Reserved
4. An executed Form 1115, Borrower and Key Borrower Principal Certificate, as detailed in Section 55SBL.2, for each transferee and new Key Borrower Principal, as applicable
5. Preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7, if not previously provided to Freddie Mac
6. If applicable, a certified copy of any recorded documents such as a Memorandum of Loan Assumption Agreement or a UCC Financing Statement
7. Transfer of Interest Reaffirmation Agreement; if the Reaffirmation Agreement, if applicable
8. Guaranty Assumption and Loan Modification Agreement, if applicable
9. Assignment of Management Agreement, if applicable
10. Freddie Mac Acknowledgement of Conditionally Permitted Transfer, acknowledged by the Servicer (if required by the Acknowledgement), if not previously uploaded to DMS
11. Opinions, if applicable
12. Any other documents required by the terms of the Loan Documents or the Freddie Mac Acknowledgement of Conditionally Permitted Transfer

d. Post-transfer documentation – delivery of originals (04/18/24)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must deliver to Freddie Mac originals of any amendment to any Note, Guaranty or any other Loan Document for which delivery of an original is required under the Final Delivery Package Table of Contents - SBL.

e. Remittance of fees (06/29/18)

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must remit by wire transfer any fees required pursuant to the terms of the pre-authorization provisions of the Loan Documents, in accordance with the requirements of Section 41SBL.9.

41SBL.4 Transfer of Ownership requiring Freddie Mac consent (~~08/15/24~~12/12/24)

a. Conditions for Freddie Mac consent (08/15/24)

For all Transfers of Ownership requiring Freddie Mac consent, including (i) transfers of all or any portion of the Property, (ii) transfers of a direct or indirect controlling interest in Borrower, and (iii) transfers of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, the Servicer must provide to Freddie Mac an analysis of and, if applicable, recommendation with respect to, each of the following requirements:



1. The Borrower has submitted to the Servicer all information required by the Servicer to make the determination required by this Section along with the applicable nonrefundable Transfer of Ownership processing fee
2. The transferee meets Freddie Mac's eligibility, credit, management and other standards (including any standards with respect to previous relationships between Freddie Mac and the transferee), including having no unmitigated adverse findings from the Public Record Searches required by the Guide
3. The transferee's organization, credit and experience in the management of similar properties is appropriate to the overall structure and documentation of the Loan, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
4. The Property will be managed by (or will continue to be managed by) a Property manager meeting the requirements of the Loan Agreement
5. The Property, at the time of the proposed Transfer of Ownership, meets all of Freddie Mac's standards as to its physical condition, occupancy, net operating income, and the accumulation of reserves
6. In the case of a Transfer of Ownership of all or any part of the Property, each of the following conditions is satisfied:
 - The transferee meets the requirements of Section 6.13 of the Loan Agreement.
 - The transferee executes Freddie Mac's then-standard assumption agreement for SBL Mortgages that, among other things, requires the transferee to perform all obligations of the Borrower set forth in the Loan Documents, and may require that the transferee comply with any provisions of the Loan Agreement or any other Loan Document which previously may have been waived or modified by the lender.
 - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.
 - The transferee executes such additional documentation as Freddie Mac may require.
7. In the case of a Transfer of Ownership of a direct or indirect controlling interest in Borrower, each of the following conditions is satisfied:
 - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.



- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then the requirements of Section 41SBL.4(b) will apply.
 - The transferee and Borrower execute such additional documentation as Freddie Mac may require.
8. In the case of a Transfer of Ownership of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, each of the following conditions is satisfied:
- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then (i) the Borrower causes one or more persons or entities acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac and (ii) the requirements of Section 41SBL.4(b) will apply.
9. Freddie Mac receives any such legal opinions that Freddie Mac deems necessary, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
10. The Servicer collects all costs, including the cost of all title searches, title insurance and recording costs, and all attorneys' fees and costs incurred in reviewing the Transfer of Ownership request
11. At the time of the Transfer, the Borrower pays a Transfer of Ownership Fee equal to one percent of the outstanding principal balance of the indebtedness as of the date of the Transfer of Ownership, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*

b. Continuing liability of the Borrower and Guarantor (06/29/17)

If the Borrower and Guarantor request a release of their respective liabilities under the Loan Documents in connection with a Transfer of Ownership of all of the Borrower's interest in the Property, and Freddie Mac approves the Transfer of Ownership pursuant to Section 41SBL.6, then one of the following will apply:

1. If the Form 1104, SBL Physical Risk Report, meeting the requirements of Section 62SBL.3 submitted by the Servicer in connection with the Transfer of Ownership (A) is dated within 90 days prior to the date of the proposed Transfer of Ownership, and (B) evidences no presence of environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will do each of the following:
 - (i) Release the Borrower from all its obligations under the Loan Documents except for liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) with respect to any loss, liability, damage, claim, cost or expense which directly or indirectly arises from or relates to any Prohibited Activities or Conditions existing prior to the date of the Transfer of Ownership.



- (ii) Release the Guarantor from all the Guarantor's obligations under the Loan Documents except for the Guarantor's obligation to guaranty the Borrower's liability described in Section 41SBL.4(b)(1)(B)(i) above.

2. If the Form 1104, SBL Physical Risk Report, prepared in connection with the Transfer of Ownership request identifies any environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will release the Borrower and the Guarantor from all of their respective obligations under the Loan Documents except for the Borrower's liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) and the Guarantor's obligation to guaranty the Borrower's liability.

c. Required Servicer disclosure (08/26/21)

If an Equity Conflict of Interest exists as defined in Section 2.25, then the Servicer must provide to *Multifamily Asset Management, Borrower Transactions* a written statement that discloses the nature and extent of that Equity Conflict of Interest within three Business Days after receiving the Borrower's request for approval of the Transfer of Ownership.

d. Application for approval; information required (08/15/2412/12/24)

Within two Business Days after receiving a request for a Transfer of Ownership, the Servicer must enter the applicable information into the Consent Request Tracker.

The Servicer must electronically submit a complete review package and the Servicer's recommendation, including the applicable information required pursuant to Sections 41SBL.4(d) and (e) to Freddie Mac at least 15 days prior to the proposed date of the Transfer of Ownership. The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local laws or regulations.

Promptly following receipt of the Borrower's notification of the pending Transfer of Ownership, the Servicer must collect the following information from the Borrower and proposed new Key Borrower Principals, as applicable, following up with the Borrower as necessary to ensure timely receipt of required materials. *Items 3, 4, 6, 7, and 9 through 14 are not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A nonrefundable review/processing fee in accordance with Section 41SBL.9
2. A completed Transfer of Ownership/Assumption Request, available via FreddieMac.com, including
 - The Servicer's thorough analysis of the risks, strengths, and weaknesses associated with the proposed Transfer
 - The Servicer's justification and support for its recommendations with respect to any requests for waivers or document modifications



- The Servicer’s recommendations regarding the need for adjustment to any Impositions or Reserves
 - The Servicer’s explanation of the terms of any seller take-back financing or other Subordinate Financing
 - The Servicer’s explanation of any unusual proposed transferee structure or structure of a transaction done for tax purposes
 - Information regarding any deadline for a real estate exchange done pursuant to Internal Revenue Code Section 1031 (Note: Reverse 1031 exchanges are not permissible)
3. A copy of the executed contract of sale or other transfer agreement, letter of intent, or other indication of the Borrower’s intent to transfer an ownership interest in the Property or in the Borrower, together with a Purchase Agreement Analysis form (as described in Section 55SBL.2).
 4. Current financial statements of the proposed transferee and the proposed new Key Borrower Principals, as described in Section 55SBL.2
 5. An executed Form 1115, Borrower and Key Borrower Principal Certificate, for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
 6. An executed Form 1116, Real Estate Schedule, for each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
 7. Information concerning the managerial experience of the proposed transferee (if not otherwise fully reflected on Form 1115) and the proposed paid professional manager, if applicable, as detailed in the mortgage transaction narrative analysis description in Section 55SBL.2
 8. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Certified Organizational Chart must include the elements set forth in the Guidance – Organizational Charts.
 - Each entity’s name, State of formation, and type (e.g., Delaware limited liability company)
 - Each party’s ownership percentage
 - Each party’s role (e.g., Principal, Guarantor, manager, general partner, etc.)
 9. Current financial statements for the Property including a trailing 12-month statement, each certified by the Borrower in the manner described in Section 55SBL.2, together with the Servicer’s analysis of those statements. If the two most recent certified calendar year financial statements have been submitted to Freddie Mac via the Property Reporting System (PRS), the Servicer may make a statement to that effect on the Transfer of Ownership/Assumption Request and need not attach the calendar year



statements unless requested to do so by Freddie Mac

10. A Form 1104, SBL Physical Risk Report, prepared by a physical risk consultant in compliance with Chapter 62SBL if any of the following apply:
 - The Property was built more than 15 years previously
 - The most recent Annual Inspection Form (AIF) noted significant Deferred Maintenance
 - The buyer proposes significant capital improvements
 - The Borrower and Guarantor are requesting a release from environmental liability pursuant to Section 41SBL.4(b)
11. If a Form 1104, SBL Physical Risk Report, is not required pursuant to Section 41SBL.4(a)(10), and if the most recent AIF is dated more than 12 months prior to submission of the transfer request, then the Servicer must conduct a physical inspection of the Property and deliver an updated AIF to Freddie Mac
12. Copies of all current property reports obtained in connection with the Transfer (e.g., Appraisal, the Level 1 Seismic Risk Assessment (SRA), the Form 1104, SBL Physical Risk Report, etc.)
13. A current credit report for any proposed ~~new Borrower or~~ Guarantor that is an individual, as detailed in Section 55SBL.2
14. A preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7
15. Written certification of the Servicer that there is no uncured event of default or any event, act, or condition that, but for the giving of notice or the passage of time, would constitute an event of default unless such Transfer of Ownership would cure the event of default
16. For a Transfer of Ownership that does not involve a transfer of title to the Property, a Certified Organizational Chart (including Form 1114, Certification – Organizational Chart) for the Borrower as constituted prior to the proposed Transfer of Ownership
17. The Public Records Searches as required by Section 2.28
18. Any other information which Freddie Mac may request in connection with its review of the proposed Transfer

e. Additional information required for Transfers of Ownership of interest in the Property (09/28/18)

If title to the Property will change as a result of the Transfer of Ownership, the Servicer must provide the following additional information to Freddie Mac:



1. Organizational documents of the proposed Borrower, together with Servicer's certification that it has reviewed the organizational documents and that they comply with the requirements of Section 9SBL.7
2. Certified Organizational Chart of the proposed Borrower, together with the Form 1114, Certification — Organizational Chart
3. Title update report dated no earlier than 30 days before the date of the Transfer
4. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
5. The proposed new Borrower's first year budget for the Property
6. Evidence of insurance, as described in Section 31.19(b)

f. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)

The Servicer must deliver each of the following to Freddie Mac at least five Business Days prior to the date of the proposed Transfer of Ownership, *except that item 1 is not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A draft property management agreement in essentially final form
2. A Form 1114, Certification – Organizational Chart, with the Certified Organizational Chart of the proposed Borrower. The Organizational Chart must include the elements set forth in the Organizational Chart Interactive Guidance at <https://mf.freddiemac.com/lenders/asset/> under Asset Management References.

41SBL.5 Prohibited Transfer of Ownership requiring Freddie Mac consent -- review of the application (06/29/18)

Freddie Mac will evaluate the application and the Servicer's recommendation in accordance with Freddie Mac's credit policies and the terms of the Loan Documents. Factors to be considered may include the following:

- The net income of the Property before debt service and depreciation
- The Debt Coverage Ratio (DCR) and the Loan to Value Ratio (LTV)
- The Property condition
- The proposed transferee's equity in the Property
- The proposed transferee's previous management experience and its ability to maintain or increase the net income of the Property



- The proposed transferee's and proposed Guarantor's financial statements and credit history (evidence that each has the ability to repay the Mortgage and evidence that each has repaid or is repaying other loans according to their respective terms)
- The terms and conditions of any Subordinate Financing

41SBL.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/18/24)

a. Approval (06/30/16)

If Freddie Mac approves the application for the Transfer of Ownership, Freddie Mac will issue an approval letter containing the terms and conditions of its approval.

b. Preparation and review of the documents by counsel (06/30/16)

Chapter 6SBL sets forth the responsibilities of the Servicer and Single Counsel in connection with a Transfer of Ownership.

The Servicer must obtain the necessary legal documentation to ensure that the existing obligations under the Mortgage remain in full force and effect and that the parties to the Loan Documents continue to be bound by all the terms and provisions of the Mortgage to the extent required by Freddie Mac's approval. Single Counsel must prepare and review the necessary documents in accordance with Section 6SBL.11 or 6SBL.14, as applicable.

c. Freddie Mac's review of draft documents (06/30/16)

If required by Freddie Mac in the approval letter for the Transfer of Ownership, then at least 10 Business Days prior to the anticipated closing date for the Transfer of Ownership, the Servicer must submit the documents to Freddie Mac via email for Freddie Mac's review and approval. Otherwise, Single Counsel will be responsible for the review and approval of all draft documents required for the Transfer of Ownership.

d. Execution of documents by Freddie Mac (04/18/24)

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least five Business Days prior to the date of the Transfer of Ownership, including a statement from Single Counsel that the documents are acceptable for execution by Freddie Mac, unless the approval required that the Servicer submit the draft documents to Freddie Mac for prior review in accordance with Section 41SBL.6(c).

e. Recordation (06/30/16)

Following closing of the Transfer of Ownership, the Servicer must arrange for any recordation commonly required by private institutional mortgage investors or required by law to ensure the priority of Freddie Mac's lien. The Servicer must complete such recordation at no cost to Freddie Mac.



f. Remittance of fees (06/30/16)

Within five Business Days after the Transfer of Ownership, the Servicer must remit the following to Freddie Mac in accordance with the requirements of Freddie Mac's approval of the Transfer of Ownership and Section 41SBL.9:

- The Freddie Mac counsel fee to Freddie Mac or its outside counsel, or to Single Counsel, as applicable
- The balance of any transfer fee due to Freddie Mac

g. Delivery of documents to Freddie Mac following closing of Transfer of Ownership (04/18/24)

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

Within five Business Days after the Transfer of Ownership, the Servicer must electronically deliver each of the following documents to Freddie Mac, unless delivery of an original is specified:

1. Recorded transfer deed, if applicable, or other documentation evidencing the transfer (certified copy)
2. If an interest in the Property was transferred
 - a. Recorded Memorandum of Loan Modification and Assumption Agreement (certified copy)
 - b. Signed settlement statement (copy)
 - c. Endorsement to the existing title policy or a new title policy stating the name of the new Borrower, reflecting the recordation of the Loan Modification and Assumption Agreement SBL and evidencing that the effective date of the policy is the date of recordation of the Loan Modification and Assumption Agreement SBL and that there are no intervening liens from the date of the original title policy insuring the First Lien until the Transfer of Ownership (copy) (If the proposed new Borrower obtains a new title policy, that title policy must meet all of the requirements of Sections 29SBL.1 through 29SBL.3. Freddie Mac reserves the right to require a new title policy rather than to accept an endorsement to the original title policy.)

NOTE: For assumptions involving Property located in Texas, in lieu of a new title policy or down-date endorsement to the original title policy, it is acceptable to provide both of the following:



- A certificate from the title insurance company that issued the existing title policy, dated no earlier than the date of recordation of the Memorandum of Loan Assumption Agreement, listing all matters that affect title to the Property which have been placed of record since the effective date of such title policy.
 - A T-38 Endorsement.
- d. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
3. Signed Guaranty, if applicable (original)
 4. Signed Guaranty Assumption and Modification Agreement, if applicable (original)
 5. Signed Transfer of Interest Reaffirmation Agreement, if applicable (original if Note or Guaranty is modified; otherwise, a copy)
 6. Signed Loan Assumption and Modification Agreement, if applicable (original)
 7. Fully-executed property management agreement (copy)
 8. If the proposed transferee is an entity, filed and recorded UCC financing statements in the name of the proposed transferee in accordance with the requirements of the Final Delivery Instructions found at mf.freddiemac.com/lenders/purchase (certified copy)
 9. If required by Freddie Mac, opinions of proposed transferee's/Guarantor's counsel (If the proposed transferee or any new Guarantor is a corporation, partnership, limited liability company or other legal entity, then if required, the Servicer must deliver to Freddie Mac an opinion of counsel for each such entity. The opinion of counsel must be addressed to Freddie Mac and must contain the provisions and opinions set forth in the Form of Opinion Letters available at mf.freddiemac.com/lenders/legal, as applicable.) (copy)

NOTE: The counsel rendering the opinions must be acceptable to Freddie Mac, or to the Servicer if the Servicer is authorized to approve the opinion. The Freddie Mac Approval may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require the Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.
 10. UCC along with indications of where filed (certified copy)
 11. Servicer's OFAC/SCP certificate as required by 41SBL.1(d) (copy)
 12. Any other documents required by the Freddie Mac approval letter



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

h. Servicer's responsibilities following the Transfer of Ownership (06/30/16)

Following the closing of the Transfer of Ownership, the Servicer must:

- Deliver to all parties concerned a copy of all documents listed in Section 41SBL.6(g)
- Retain copies in the Mortgage File of the documents listed in Section 41SBL.6(g)
- Provide all notices and disclosures required under applicable law or regulation
- Ensure all data fields in the CRT that are Servicer's responsibility to populate are completed
- Ensure that all insurance policies reflect the Transfer of Ownership
- Continue to service the Mortgage as required in the Purchase and Servicing Documents

i. Servicer's warranties in connection with a Transfer of Ownership (09/28/18)

When a Servicer delivers documentation for a Transfer of Ownership, the Servicer will be deemed to have made the warranties in Sections 5.2 through 5.5, 5.10 and 5.14 as of the date the documentation for a Transfer of Ownership is delivered to Freddie Mac.

41SBL.7 Prohibited Transfers of Ownership - Declination of the application for Lender consent (06/29/18)

If Freddie Mac declines the application for Transfer of Ownership, the Servicer must send written notice of the decision to the Borrower and the proposed transferee on behalf of Freddie Mac, in a manner that complies with all applicable laws and regulations and the requirements of Section 10.13.

41SBL.8 Prohibited Transfers of Ownership (04/18/24)

If the Servicer suspects a prohibited Transfer of Ownership has taken place, the Servicer must act in a timely, efficient, and responsible manner to carry out Freddie Mac's instructions and to fully protect Freddie Mac's interests as follows:

- Immediately notify Freddie Mac via email describing the circumstances of the possible prohibited Transfer of Ownership.
- Immediately contact the Borrower, the prohibited transferees or any party that may have been connected with the transfer to determine whether a prohibited Transfer of Ownership has occurred. If the Servicer confirms a prohibited Transfer of Ownership has in fact occurred, the Servicer must notify Freddie Mac via email *Multifamily Asset Management, Borrower Transactions*.



The email notification specified above should be sent to *Multifamily Asset Management, Borrower Transactions*.

a. Information to be provided to Freddie Mac (06/29/18)

The Servicer must electronically submit the following information to Freddie Mac within two Business Days after confirming that the prohibited Transfer of Ownership has occurred:

1. Information detailing the prohibited Transfer of Ownership (The letter must include the Freddie Mac loan number, the name of the Borrower, the property address, the names and addresses of all known parties connected with the prohibited Transfer of Ownership and details of the discovery of the Transfer of Ownership.)
2. A written summary of any conversations between Servicer personnel and the Borrower or any party involved with the Transfer of Ownership
3. Any evidence of the prohibited Transfer of Ownership
4. Any other information requested by Freddie Mac

b. Property inspection (06/29/18)

Freddie Mac may request that the Servicer complete a Freddie Mac Annual Inspection Form (AIF) in connection with the prohibited Transfer of Ownership. Within 60 days of a request by Freddie Mac, the Servicer must inspect the Property and submit the AIF in accordance with the submission procedures in Chapter 40. If the Servicer is unable to fully inspect the Property, the Servicer must conduct an exterior inspection and identify any Deferred Maintenance. The Servicer must also conduct a market survey, which, along with past rental and expense information, is to be used by the Servicer to complete the AIF.

c. Additional Servicer obligations (06/29/18)

If the Servicer discovers any additional defaults during the investigation of the prohibited Transfer of Ownership, the Servicer must immediately notify Freddie Mac via email.

41SBL.9 Fees (04/30/19)

a. Review/processing fee (12/14/18)

For loans allowing Transfers of Ownership subject to lender consent, (whether conditionally permitted or prohibited), the Servicer must charge the Borrower a nonrefundable review/processing fee in the amount specified in the Loan Agreement.

The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac by wire transfer with the application for the Transfer of Ownership. The review/processing fee is in addition to the transfer fee and will not be applied to reduce the transfer fee. The Servicer may not charge the Borrower any additional fees for processing a Transfer of Ownership unless required by Freddie Mac.

**b. Counsel fee (06/30/16)**

At closing of the Transfer of Ownership, the Servicer must collect the counsel fee for Single Counsel, and if specified in the approval letter, the Servicer must collect a nonrefundable counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, which may be either outside or in-house counsel. When Freddie Mac approves the Transfer of Ownership, Freddie Mac will issue a letter setting forth the amount of the counsel fee other than the Single Counsel fee.

The Servicer may also require the Borrower to pay the Servicer's additional legal expenses and costs (for example, costs for searches, filings and title endorsements) relating to the Transfer of Ownership.

c. Transfer fee (12/14/18)

For all approved Transfers of Ownership, Freddie Mac charges a nonrefundable transfer fee in the amount set forth in the Loan Agreement.

For Loan Agreements with a revision date of 11-21-17 or earlier, Transfers of Ownership requested pursuant to Section 7.05 of the Loan Agreement that will result in a change of Control (as defined in the Loan Agreement), except for transfers of greater than 50% of non-managing member or limited partner interests, must be characterized as a Transfer of the "Mortgaged Property."

NOTE: If the Transfer of Ownership involves a transfer of interests in the Borrower that does not result in a change in control of the Borrower, and if the Transfer of Ownership will not result in the addition of any new Borrower Principal(s), Freddie Mac may consider reducing or waiving the transfer fee upon written request from the Servicer.

d. Remittance of fees (04/30/19)

The Servicer must obtain wire transfer instructions from *Multifamily Asset Management, Borrower Transactions*.

The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 12/11/2024 10:21:43 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 41SBL - SBL Transfers of Ownership GB-08-15-24.docx	
Modified filename: 41SBL - SBL Transfers of Ownership GB-12-12-24.docx	
Changes:	
<u>Add</u>	6
<u>Delete</u>	7
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	13

Multifamily Seller/Service Guide

Chapter 55

Documentation and Deliveries



55.1 Use of Chapter 55 (12/14/23)

- a. Preparing an underwriting package (12/14/23)
- b. Resubmission of an underwriting package (05/11/10)
- c. Preparing documentation required for a Transfer of Ownership (06/29/17)
- d. Notification requirements regarding updates to the underwriting package (02/16/23)
- e. Ability to request additional information (04/13/23)

55.2 ~~Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (10/17/24)~~ Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (12/12/24)

55.3 Requirements for documents contained in the prescreen package (04/13/23)



55.1 Use of Chapter 55 (12/14/23)

Chapter 55 is to be used in the preparation of an underwriting package for cash and bond credit enhancement Mortgages, and in the preparation of documentation to be submitted to Freddie Mac in connection with a Transfer of Ownership, as indicated in Chapter 41.

a. Preparing an underwriting package (12/14/23)

1. Due Diligence – Chain of Custody.

- A. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting package as set forth in this chapter (other than Freddie Mac required third-party reports), must be delivered directly to the Seller/Servicer by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with this chain of custody requirement.

2. Documentation Delivery. At the Seller's expense, the Seller must deliver the documents to Freddie Mac and remit any required fees to Freddie Mac by wire transfer, subject to Freddie Mac's approval.

- A. The Seller must obtain wire transfer instructions from
 - *Multifamily TAH Production* or the *Multifamily TAH Underwriter*, for TAH Seller/Servicers, or
 - The *Applicable Freddie Mac Multifamily Regional Office*, for all other Seller/Servicers.
- B. The Seller must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.
- C. With respect to each delivery
 - The Seller must deliver the documents simultaneously.
 - The Seller may not make any changes to forms prescribed by Freddie Mac without prior written authorization from Freddie Mac.

If the delivery is incomplete, if the documents have not been properly prepared, or if the documents do not, or the delivery does not, otherwise conform to Freddie Mac requirements, Freddie Mac cannot process the package.



b. Resubmission of an underwriting package (05/11/10)

The Seller may not resubmit an application package for a Mortgage for at least six months after the date of

- Freddie Mac's notice of rejection, if Freddie Mac declined to issue a Letter of Commitment for the Mortgage or failed to accept an early rate-lock application following review of the full application package, or
- Freddie Mac's Letter of Commitment, if the Seller failed to accept the Letter of Commitment within the time period specified, or
- Freddie Mac's acceptance of the early rate-lock application, if the Seller failed to sign and return Exhibit A of the early rate-lock application within the time required.

c. Preparing documentation required for a Transfer of Ownership (06/29/17)

Instructions for the preparation of documentation for a Transfer of Ownership can be found in Chapter 41.

d. Notification requirements regarding updates to the underwriting package (02/16/23)

The Seller/Servicer must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock or issuance of an Acceptance Letter for an early rate lock application. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

e. Ability to request additional information (04/13/23)

Notwithstanding the documentation requirements in Section 55.2 and Section 55.3, Freddie Mac reserves the right to request any document identified in Section 55.2 and Section 55.3 from any Borrower Principal.

55.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (~~10/17/24~~12/12/24)

a b c d e f g h i j k l m n o p q r s t u v w x y z

Document	Requirements
501(c)(3) Due Diligence Checklist	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide Freddie Mac with a 501(c)(3) Due Diligence Checklist if the bonds for which Freddie Mac is providing the bond credit enhancement are 501(c)(3) bonds.



Document	Requirements
<p>Access easement and Essential Facilities and/or Recreational Facilities easement documentation</p>	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"> • If the Property shares primary ingress and/or egress with adjacent or neighboring properties (including another phase of a phased development) via an easement or private road, documentation in accordance with Sections 8.6 and 8.8, as well as a (i) preliminary legal issues memorandum (PLIM) that either (x) confirms the access complies with the requirements set forth in Section 8.8, or (z) a legal analysis of what requirements are not satisfied and the Seller’s counsel’s recommendations for acceptability, (ii) a copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable, and (iii) an opinion from a land use attorney if applicable, or • If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the owner, documentation in accordance with Sections 8.6 and 8.9, a PLIM that either (i) confirms the Borrower’s access to and use of the Essential Facilities and/or Recreational Facilities and amenities comply with the requirements set forth in Section 8.9; or (ii) a legal analysis of what requirements are not satisfied and the Seller’s counsel’s recommendations for acceptability. • See also “confirmation of or a request for approval of shared facilities or access.”
<p>Aged Receivables Report</p>	<p>The Seller must review and submit to Freddie Mac a report, if applicable, which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report must accompany all operating statements prepared on an accrual basis. The report should be dated as of the ending T-12 period for the current property financial statement submitted.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p>The document(s) must be certified using the Borrower and Key Borrower Principal Blanket Certification, Form 1112.</p>
<p>Application fee</p>	<p>For Bond Credit Enhancement Mortgages, the Seller must remit the applicable application fee by wire transfer. The Seller must obtain wire transfer instructions from <i>Multifamily TAH Production</i> or the <i>Multifamily TAH Underwriter</i>, for TAH Seller/Serviceers.</p>



Document	Requirements
(for Bond Credit Enhancement Mortgages)	<p>The Seller must send the wire transfer to the attention of <i>Multifamily Cash Management</i>. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The application fee amount is found in the Commitment.</p>
Appraisal	<p>The Seller must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the Additional Appraisal Requirements Memorandum. The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.</p> <p><u>Seniors Housing Mortgages</u> For a Seniors Housing Mortgage, the Appraisal must meet the requirements of Chapter 60 and Section 21.16.</p> <p><u>Forward Commitments</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.30 for requirements specific to Forward Commitments.</p> <p><u>Mod Rehab</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Mod Rehab Mortgages.</p> <p><u>Preservation Rehabilitation</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.28 for requirements specific to Preservation Rehabilitation Mortgages.</p> <p><u>Mortgage with Green Up® or Green Up Plus® loan option</u> The Seller must provide an Appraisal meeting the requirements of Chapter 60. See Section 60.29 for requirements specific to Mortgages with the Green Up or Green Up Plus loan option.</p>
Bond distribution list	<p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide Freddie Mac <i>Multifamily TAH Production</i> and the <i>Multifamily TAH Underwriter</i> with a list of participants in the bond transaction, including their</p>



Document	Requirements
	<p>telephone numbers and e-mail addresses.</p>
<p>Borrower and Key Borrower Principal Blanket Certification, Form 1112</p>	<p>Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation:</p> <ul style="list-style-type: none"> • 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.) <p>Form 1112 must be completely populated, including an indicator for the document(s) being certified as well as the applicable date(s) of the document(s).</p> <p>The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.</p>
<p>Borrower and Key Borrower Principal Certificate, Form 1115</p>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with the Form 1115, Borrower and Key Borrower Principal Certificate, executed by each Borrower or Key Borrower Principal.</p> <p>Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals:</p> <ol style="list-style-type: none"> 1. Past mortgage payment and default experience 2. History of criminal, administrative, and/or litigation proceedings <p>Form 1115 must not be dated more than 60 days prior to the date of submission of the applicable underwriting package.</p>



Document	Requirements
	<p>For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form 1115. The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1115 unless specifically requested by Freddie Mac.</p>
Borrower’s budgeted property financial statements	See “property financial statements.”
Breakdown of construction costs	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see “capital improvement documentation.”</p> <p>The document(s) must be certified using Borrower and Key Borrower Principal Blanket Certification, Form 1112.</p>
Building code violation documentation	<p>The Seller must provide building code violation documentation in one of two ways:</p> <ul style="list-style-type: none"> • In the form of a letter or other documentation from the local building code enforcement office which must verify that: <ul style="list-style-type: none"> ○ Any prior building code violations have been corrected ○ The Property is currently in compliance with all applicable building codes • Verification of the above as part of the zoning report or Form 1108, Physical Risk Report, for a Mortgage that meets all of the following conditions: <ul style="list-style-type: none"> ○ The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less



Document	Requirements
	<p>in the aggregate</p> <ul style="list-style-type: none"> ○ The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage <p>If the local building code enforcement office will not provide such a letter, Freddie Mac will accept a certified verification from the Borrower.</p>
<p>Calculation of prepayment premium</p>	<p>For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.</p>
<p>Capital improvement documentation</p>	<p>When required by Freddie Mac, the Seller must submit:</p> <ul style="list-style-type: none"> • For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction. • For any major past renovations, a summary of these renovations and documentation concerning the costs. • For a Mortgage whose original principal balance is greater than \$100 million without any construction or major renovation planned for the Property, a statement that no construction or major renovation is planned during the term of the Mortgage. <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<p>Certification — Organizational Chart, Form 1114</p>	<p>A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new Form 1114, Certification — Organizational Chart.</p>
<p>Certificate of Good Standing from the Construction Lender</p>	<p>A letter or other documentation certifying that the Borrower is in good standing under the terms of the Construction Loan.</p>
<p>Certification Regarding Payment of Fees and</p>	<p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a copy of the Certification Regarding Payment of Fees and Expenses of Freddie</p>



Document	Requirements
Expenses of Freddie Mac's Outside Counsel	Mac's Outside Legal Counsel, available via FreddieMac.com, in accordance with Section 28.8(d).
Certified cost accounting	<p>The Seller must provide to Freddie Mac a certified cost accounting of total project costs, including hard and soft costs.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Certified Organizational Chart	An Organizational Chart that is certified using <i>Certification – Organizational Chart</i> , Form 1114.
Commercial lease documentation	<p>The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.</p> <p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the residential and commercial lease portions of the Property's income.</p> <p>If income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac in connection with a certain commercial lease, the Seller must provide a completed Commercial Lease Analysis for such lease. The Commercial Lease Analysis form is available at mf.freddiemac.com.</p> <p>See Section 8.11 for requirements regarding commercial lease SNDAs, subordinations, and estoppels; see Section 8.2(b) for commercial use requirements.</p>
Complete Borrower/Key Borrower Principal Due Diligence Package	<p>A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115, Borrower and Key Borrower Principal Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals; a credit report for Borrowers and Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and Liquidity verification documentation, if applicable. It is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Complete Borrower/Key Borrower Principal Due Diligence Packages unless specifically requested by Freddie Mac.</p>



Document	Requirements
<p>Condominium Analysis</p>	<p>If the Property is subject to a condominium regime, the Seller must submit the following information to Freddie Mac:</p> <ul style="list-style-type: none"> • The total number of units subject to the Condominium regime • The number of Condominium Units the Borrower owns • The percentage of Borrower’s undivided interest in the common elements of the Condominium • If the Borrower does not own 100 percent of the real property that is subject to the Condominium regime, whether the Property is <ul style="list-style-type: none"> ○ A “Partial Condo”, where the Property consists of all of the residential units in the Condominium but there are commercial, office, parking or other Condominium Units that will not be part of the collateral for the Mortgage ○ A “Fractured Condo”, where the Property does not consist of all of the residential units in the Condominium and some of the residential Condominium Units have been sold to third party purchasers • The number of members that comprise the board of directors of the Condominium association (“Condominium Association”) and the number of members of the board of directors of the Condominium Association that the Borrower controls <p>This information may be included in the Mortgage Transaction Narrative Analysis.</p>
<p>Confirmation of compliance or a request for approval of shared facilities or access</p>	<p>If any on-site or off-site facilities or access are shared, the Seller must submit in a preliminary legal issues memorandum (PLIM) either (i) a confirmation that any such sharing arrangement meets the requirements of Sections 8.6, 8.8 and 8.9, or (ii) a request for Freddie Mac approval of the requirements set forth in Section 8.8 or 8.9 that are not satisfied, including the Seller's counsel's recommendations for acceptability.</p>
<p>Construction completion documents</p>	<p>The Seller must include the following documents in the Forward Commitment underwriting package for Conversion:</p>



Document	Requirements
	<ul style="list-style-type: none"> • Post-construction analysis report <ul style="list-style-type: none"> ○ Architect’s certificate of substantial completion ○ Final punch list from the architect of record ○ Final payment certification ○ Final lien waiver from the general contractor ○ Release of payment and performance bonds ○ 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 <p>See Section 63.5 for additional information.</p>
<p>Construction documentation for Forward Commitments</p>	<p>For a review by Freddie Mac, the Seller must provide:</p> <ul style="list-style-type: none"> • The final pre-construction analysis report described in Section 63.3(a)



Document	Requirements
	<ul style="list-style-type: none"> • A narrative summary, prepared by the Seller’s Chief Architect/Engineer, with the following content: <ul style="list-style-type: none"> ○ Property and site description, including <ul style="list-style-type: none"> • Adequacy of budget and schedule • Environmental issues/resolution • Seismic issues/resolution • Other outstanding issues/resolution • If a substantial rehabilitation of the Mortgaged Property, statements regarding the adequacy of the scope to address any deficiencies identified in the property condition report and Phase I Report ○ A summary analysis of the development team’s qualifications, including the capability of the architect, contractor and developer to execute the plan <p>See Section 19A.1(c), 25A.1(e), or 28A.1(e) for construction documentation that must be delivered via the Document Management System (DMS) after the date of the Forward Commitment for Forward Commitments.</p>
<p>Cooperative analysis</p>	<p>If the Property is owned by a cooperative housing corporation, the Seller must submit to Freddie Mac a cooperative analysis that includes</p> <ol style="list-style-type: none"> 1. The following information as it pertains to the sellout of the cooperative: <ul style="list-style-type: none"> • Date property converted to cooperative • Percentage of units sold to owner-occupants (including sublets) • Percentage of units sold to owner-occupants that are sublet • Percentage of units sold to non-sponsor owned investors



Document	Requirements
	<ul style="list-style-type: none"> • Percentage of units held by sponsor or sponsor-related entities <ol style="list-style-type: none"> 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 7. Analysis of the estimated value of the Property as a cooperative (co-op) and as a rental project 8. Information on unit sales over the last 12 months including date of sale, unit number, unit type and sale price. If sales over the last 12 months do not include all unit types, provide information on earlier sales so that all unit types are represented 9. Analysis of maintenance costs compared to market rents for each unit type
Credit reports	<p>The Seller must provide to Freddie Mac a current credit report on each Borrower and each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must:</p> <ol style="list-style-type: none"> 1. Be reviewed by the Seller



Document	Requirements
	<ol style="list-style-type: none"> 2. Be issued by an independent credit reporting agency acceptable to Freddie Mac 3. Be dated within 60 days before delivery to Freddie Mac 4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings 5. List any other debts 6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records
Current property financial statements	See “property financial statements.”
Delegated property inspection letter	See “property inspection documentation.”
Document analysis by Seller’s counsel	The Seller must provide an analysis by Seller’s counsel of certain legal documents affecting the Property, as described in Section 6.7.
Effective annual rental rate	For a Mortgage whose original principal balance is greater than \$100 million, the Seller must provide the effective annual rental rate per unit, as determined by gross potential rent less concessions, for each of the most recent three years, or for each year since the completion of construction, whichever is less.
Employer Enabled Permanent Supportive Housing (EPSH) Borrower Certification, Form 1134	<p>Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification, must be used to certify that the Borrower has a discounted employee unit/units at the Property that is/are subject to the EPSH Partnership Agreement (included as an exhibit to Form 1134).</p> <p>The Form 1134 will include the number of EPSH units at the Property as well as the total annualized discounted rent for those units.</p> <p>The Form 1134 must be executed by the Borrower and provided with the full underwriting package for a loan to qualify for the benefits described in the EPSH Fact Sheet.</p>
Employer Enabled Permanent Supportive Housing (EPSH) Partnership Agreement	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.



Document	Requirements
	<p>The agreement should quantify the discount to be offered if a candidate is hired and must be provided as an exhibit to Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification, for a loan to qualify for the benefits described in the EPSH Fact Sheet.</p>
<p>Environmental report and alternatives</p>	<p>The Seller must provide to Freddie Mac an environmental report meeting the requirements of Chapter 61.</p> <p><u>Supplemental Mortgages</u> An environmental report is required under this product when</p> <ul style="list-style-type: none"> • The proposed Mortgage is a split Mortgage, or • An acceptable environmental report was not completed upon origination of the first Mortgage, or • An environmental issue was identified subsequent to the origination of the first Mortgage, or • Freddie Mac, in its sole discretion, determines that an environmental report is needed. <p><u>For each Supplemental Mortgage for which Freddie Mac does not require an environmental report, the Seller must</u></p> <ul style="list-style-type: none"> • Retain a qualified environmental consultant in accordance with Section 61.17 to perform a neighborhood hazardous waste activity review in compliance with Section 61.9, and submit the environmental consultant's analysis and conclusions, and • Confirm that the Borrower has complied with any conditions or requirements in the first Mortgage regarding an identified environmental hazard or Mold and has completed any required work. <p>For TAH Mortgages under a Forward Commitment, see Section 61.1(b)(1) for the requirements applicable to an environmental report prepared by a consultant retained or directed by the Borrower.</p>
<p>EPA Energy Star Score</p>	<p>A score obtained using the U.S. Environmental Protection Agency's (EPA's) Portfolio Manager®, used by Borrowers seeking Green Advantage benefits.</p>



Document	Requirements
<p>Equity Conflict of Interest statement</p>	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"> • With the preliminary underwriting package (for a Seller utilizing the early rate-lock delivery option) or the full underwriting package (for a Seller utilizing the standard delivery option), or • For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i>
<p>Evidence of Insurance</p>	<p>The Seller must submit the following to Freddie Mac to verify that the Property has, or will have as of the Freddie Mac Funding Date, adequate property damage and liability insurance as required by the Purchase and Servicing Documents:</p> <ul style="list-style-type: none"> • Fully completed Form 1133, Seller/Servicer Certification of Insurance Coverage, via the Insurance Compliance Tool (ICT) • The documents listed in Sections 31.20(a) and 31.20(b), as applicable <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p> <p>If the Borrower's insurance will not meet the Freddie Mac insurance requirements, the Seller/Servicer must request a waiver prior to the Origination Date from the</p> <ul style="list-style-type: none"> • <i>Multifamily TAH Underwriter</i>, for Targeted Affordable Housing Mortgages • <i>Applicable Freddie Mac Multifamily Regional Office</i>, for all other Mortgages.
<p>Evidence of Tax Abatement</p>	<p>For Properties benefiting from real estate tax abatements, including payment in lieu of taxes (PILOT), the Seller must provide documentation from the taxing authority or the governing body confirming:</p>



Document	Requirements
	<ul style="list-style-type: none"> • That the Property or the Borrower, as applicable, has qualified for the Tax Abatement • The amount of annual tax to be paid, if any • The term of the Tax Abatement • Any other requirements of the Tax Abatement <p>See the Tax Abatement/Exemption/PILOT Questionnaire for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The Tax Abatement/Exemption/PILOT Questionnaire is found on the legal document pages of mf.freddie.com.</p>
<p>Exclusionary List</p>	<p>See Section 2.18.</p>
<p>Financial statements of Borrower and Key Borrower Principals – certified</p>	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p> <ul style="list-style-type: none"> • Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key Borrower Principal • Federal income tax returns for the Borrower for the most recent taxable year, if requested <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p>



Document	Requirements
	<p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"> • All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities • All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation • Any factors that may materially affect the Borrower or Key Borrower Principal’s financial position immediately or during the term of the Mortgage <p>The Seller must review the financial statements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit financial statements unless specifically requested by Freddie Mac.</p> <p>If the Borrower or Key Borrower Principal is a non-profit, the Seller must identify whether the non-profit Borrower’s or Key Borrower Principal’s primary funding sources are from fees on development projects or from competitive sources such as public funding, grants, gifts, or donations that may be subject to budget constraints.</p>
Financial statements – property	See “property financial statements.”
Flood zone determination (FZD)	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
Green Building Certificate	<p>Any industry-standard green rating or certification, when required for Green Certified buildings. Acceptable green ratings or certifications include</p> <ol style="list-style-type: none"> 1. EarthCraft, South Face



Document	Requirements
	<ol style="list-style-type: none"> 2. ENERGY STAR for Multifamily Existing Buildings, High Rise, New Construction, EPA 3. Green Communities, Enterprise Community Partners 4. Green Globes, Green Building Initiative 5. GreenPoint Rated, Build It Green 6. Leadership in Energy and Environmental Design (LEED), US Green Building Council 7. National Green Building Standard, Home Innovation Research Labs 8. Passive House Institute US (PHIUS) Certified 9. Passive House Institute (PHI) Certified and/or 10. Any other approved certification provided by the applicable authority
<p>Green Retrofits Certification, Form 1209</p>	<p>The Seller must provide Freddie Mac with Form 1209, Green Retrofits Certification, executed by the Borrower, (i) if the Borrower seeks to qualify for a Green Retrofits benefit; or (ii) in connection with a TAH TEL Conversion.</p> <p>Form 1209 requests certification of the energy and/or water efficiency improvements currently in place at the Property as of the completion date of Form 1209 and made during the then current calendar year and the preceding two calendar years.</p> <p>The executed and completed Form 1209 must be submitted as part of the full underwriting package (or as part of the preliminary underwriting package in the case of an early rate lock option). For TAH TEL conversions, the executed form must be submitted as part of the full underwriting package at the time of the TAH TEL Conversion.</p>
<p>Ground lease documentation</p>	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all of the following, with a copy of each to the applicable <i>Multifamily Attorney</i>. See Chapter 30.</p> <ul style="list-style-type: none"> • A copy of the ground lease and all existing amendments



Document	Requirements
	<ul style="list-style-type: none"> • 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
Historical property financial statements	See "property financial statements."
Housing Assistance Payments (HAP) contract	<p>The Seller must provide, if applicable:</p> <ul style="list-style-type: none"> • Copies of the original Section 8 HAP Contract along with all amendments and renewals, including evidence of the currently applicable unit rents approved by the US Department of Housing and Urban Development (HUD) or the HAP Contract administrator • Section 8 Housing Assistance Payments Contract Questionnaire (available at mf.freddie.com), completed by both Seller and Seller's counsel • Evidence of 2530 clearance for Borrower, Borrower Principals and Management Agent • Management and Occupancy Review MOR Form • Current REAC Score • The most recent HUD Inspection Report, if the current REAC Score is less than 80 and the Property is required to undergo an annual HUD inspection <p>See "rent, income and use restriction documentation."</p>
Land Use Restriction Agreement (LURA)/ regulatory agreement	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property (for tax-exempt bonds, if applicable, and LIHTC).</p> <p>See also "rent, income and use restriction documentation."</p>
Legal Issues Analysis (LIA) form	<p>The LIA is the form used to prepare the preliminary legal issues memorandum (PLIM) at loan origination. The LIA (and any required updates as described in the LIA instructions) must meet the requirements of Section 6.4. The LIA is available at mf.freddie.com/lenders/legal.</p>



Document	Requirements
	<p>See the entry for preliminary legal issues memorandum (PLIM), below, for the analysis required for Servicing transactions.</p>
<p>Liquidity verification documentation</p>	<p>Each Key Borrower Principal in a position of Ultimate Control or Guarantor who is (i) a First-Time Sponsor or (ii) Limited Multifamily Experience Sponsor must provide bank or brokerage statements to validate the Liquidity reported in the certified financial statement.</p> <p>Each bank or brokerage statement must be certified and dated within 60 days of delivery of the full underwriting package.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor or Limited Multifamily Experience Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using Form 1112.</p> <p>U.S. Public Companies and Governmental Entities that are First-Time Sponsors or Limited Multifamily Experience Sponsors are not required to submit Liquidity verification documentation.</p>
<p>Low-Income Housing Tax Credit (LIHTC) Compliance/Monitoring for Income Averaging documentation</p>	<p>For a LIHTC Property where the Income Averaging Set-Aside has been applied, documentation providing details of the LIHTC Investor’s compliance and monitoring strategy.</p>
<p>Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</p>	<p>The Seller must provide a copy of:</p> <ul style="list-style-type: none"> • The allocation letter • The IRS Form 8609, <i>Low-Income Housing Credit Allocation and Certification</i>, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service • The IRS Form 8823, <i>Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition</i>, if any, that was used to notify the Internal Revenue Service of



Document	Requirements
	<p>noncompliance with the requirements of Internal Revenue Code (IRC) §42 from both the property manager and the Borrower Principal</p> <p>In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties.</p> <p>See also “rent, income and use restriction documentation.”</p>
<p>Management plan or management agreement</p>	<ul style="list-style-type: none"> • The Seller/Servicer must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage • If the Property is managed by the Borrower or the Borrower Principal, the Seller must deliver the Borrower’s management plan • If a management firm is managing the Property, the Seller must include a copy of the management agreement for the Property • If the management agreement will not be assigned to the lender, then the agreement must be terminable by the property owner upon not more than 30 days’ notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee
<p>Manufactured Housing Community (MHC) (unless MHROC, government-owned, or non-profit-owned)</p>	<p>For an MHC Mortgage with MHC Tenant Protections, including all MHC Mortgages quoted on or after September 1, 2021 (unless MHROC, government-owned, or non-profit owned), the Seller must submit the documentation noted in either a. or b. below:</p> <p>a. Form of Agreement with MHC Tenant Protections that will be executed or acknowledged by the Applicable MHC Residents. Seller’s counsel must confirm that the Form of Agreement includes all MHC Tenant Protections (including the conflicts of law provision) and requires a written signature of the Applicable MHC Residents. See the MHC Tenant Protections section in the LIA to understand the Borrower’s final selection.</p> <p>If the above Form of Agreement (e.g. Rules and Regulations) will not be signed by the Applicable MHC Residents, then a sample form of acknowledgement from the Applicable MHC Residents of the above Form of Agreement is required. See the MHC Tenant Protections section in the LIA.</p>



Document	Requirements
	<p>b. For Mortgages originated on or after August 2, 2021 where the Borrower has elected to incorporate the MHC Tenant Protections in the MHC rules and regulations and deliver to each Applicable MHC Resident an MHC Tenant Protections Notification: (1) a copy of the MHC rules and regulations that include the MHC Tenant Protections, and (2) the form of MHC Tenant Protections Notification. Seller’s counsel must confirm that the MHC rules and regulations and form of MHC Tenant Protections Notification include all the MHC Tenant Protections, including the conflicts of law provision.</p>
<p>Manufactured Housing Resident-Owned Community (MHROC) Analysis</p>	<p>For a Manufactured Housing Resident-Owned Community (MHROC) Mortgage, a copy of the Manufactured Housing Resident-Owned Community Analysis, available on FreddieMac.com, with a copy to the applicable <i>Multifamily Attorney</i>.</p>
<p>Market study</p>	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"> 1. Market area definition 2. Physical and location analysis 3. Economic analysis 4. Demographic analysis 5. Supply analysis 6. Demand analysis 7. Capture rate analysis by unit type 8. Recommendation <p>Freddie Mac will also accept a market study incorporated into the Appraisal, per the requirements of Section 60.20.</p> <p>For a Forward Commitment, the market study must support the underwriting assumptions.</p>



Document	Requirements
<p>Master lease documentation</p>	<p>For a Property subject to a master lease, the Seller must provide:</p> <ul style="list-style-type: none"> • A copy of the master lease and all existing amendments • An analysis of the master lease by Seller’s counsel in accordance with Section 6.7
<p>Mortgage transaction narrative analysis</p>	<p>The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller’s option) may be based on the Mortgage Transaction Narrative Analysis – Best Practices.</p> <p>a. The mortgage transaction narrative analysis must contain the following:</p> <ol style="list-style-type: none"> 1. Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage 2. Property’s physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages) 3. Property’s financial analysis (profile and trend) 4. Evaluation of balloon risk that includes the Borrower’s ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity 5. Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment 6. Market analysis (occupancy, supply and concessions) 7. History of the Borrower’s equity investment in the Property and the Borrower’s proposed use of Mortgage proceeds 8. Description of the Borrower, including a description of the borrowing entity, the Borrower’s organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including: <ul style="list-style-type: none"> • An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor or a Limited Multifamily Experience Sponsor, as provided in Section 9.2(d),



Document	Requirements
	<ul style="list-style-type: none"> • 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. <p>9. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee.</p> <p>For Senior Housing Mortgages:</p> <ul style="list-style-type: none"> • The State and / or regional location of all properties under management • The type and number of acuity of the units managed or owned, and • For Seniors Housing Mortgages that do not require a Seniors Housing Liability Assessment, a description of the depth and level of experience of all key personnel on the onsite, corporate, and regional leadership team of the property manager or Operator <p>10. Review of third-party reports, including the Seller/Service's reviews of and comments on the Appraisal, environmental and property condition reports (with full underwriting packages only)</p> <p>11. Loan history if there is an existing mortgage on the Property</p> <p>12. Proposed sources and uses of funds</p> <p>13. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or military population) (this item is not required for Seniors Housing Mortgages)</p> <p>14. Cash equity at risk</p> <p>15. Any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7</p> <p>16. Any exception requests</p>



Document	Requirements
	<p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8.15(a).</p> <p><u>b. In addition to items a. 1 – 15 above, for Seniors Housing Mortgages include:</u></p> <ol style="list-style-type: none"> 1. Property information, including <ol style="list-style-type: none"> a. Property type (Independent Living Property, Assisted Living Property, Alzheimers/Dementia Care Property or Continuing Care Retirement Community (CCRC)) b. Number of units and beds c. Average monthly rent d. Percentage of skilled nursing beds, if applicable e. Percentage of net income derived from skilled nursing beds, if applicable 2. An evaluation of the Borrower's and Third-party Operator's (if any) experience at the Property and its other properties 3. The discussion of surrounding property uses must also include hospitals, seniors centers, libraries, restaurants and hotels 4. A market analysis, in the description of market supply, must include a list of all comparable properties, including address with zip code, number of units and beds, their service type, and approximate distance from the Property. The Seller must submit at least three comparables. <p><u>c. In addition to items a. 1 – 15 above, for a Supplemental Mortgage behind a Securitized First Mortgage, include:</u></p> <ol style="list-style-type: none"> 1. Confirmation of original UPB, current UPB, amortization (identifying any interest-only period), Annual Debt Service (interest-only and amortizing, as appropriate), and maturity date 2. Identification of Securitization pool 3. Delinquency report 4. Most recent inspection report <p><u>d. In addition to items a. 1 – 15 above, for a Mortgage securing a Property subject to a condominium regime:</u></p>



Document	Requirements
	<p>See “Condominium Analysis.”</p> <p><u>e. In addition to items a. 1-15 above, for a Mod Rehab Mortgage:</u></p> <ol style="list-style-type: none"> 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 the Property’s jurisdiction. 3. Sponsor’s experience and success with other moderate rehabilitation or value-add projects in recent history with detailed explanation of the extent of the renovations and rent appreciation post renovations. 4. Analysis of any anticipated rent increases or expense savings as a result of the planned renovations at the subject property.
<p>Occupancy history</p>	<p>For a Mortgage whose original principal balance is greater than \$100 million, the Seller must provide the annual percentage of physically occupied dwelling units for each of the most recent five years, or for each year since the completion of construction, whichever is less.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<p>Optigo Lender’s Fee Certification – Conventional and Targeted Affordable Housing form</p>	<p>Required for all loans where a broker and/or correspondent is involved in the transaction. This form requests certain information about broker and other fees and requires the Seller/Service to disclose whether the servicing fee and/or Freddie Mac securitization compensation applicable to a loan will be a factor in determining the broker/correspondent compensation.</p>
<p>Organizational Charts – Borrower, Guarantor (not in Borrower’s organizational structure), Master Tenant, Operator, or Pre-Approved Transferee (not in Borrower’s organizational structure)</p>	<p>For any entity that is a Borrower, a Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, Master Tenant of a Shariah compliant loan, DST loan or other master lease structure or Operator of a Seniors Housing Property, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity:</p> <ul style="list-style-type: none"> • With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational



Document	Requirements
	<p>structure, Master Tenant or Operator including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust</p> <ul style="list-style-type: none"> • 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 • That directly or indirectly Controls Borrower, Guarantor, Pre-Approved Transferee not in the Borrower’s organizational structure, Master Tenant or Operator including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>The Seller/Servicer’s counsel must review the Organizational Chart.</p> <p>See Guidance – Organizational Charts at mf.freddiemac.com/lenders/uw.</p>
Payroll schedule	<p>The Seller must provide a current schedule of payroll expenses associated with the operation of the on-site leadership team at the Property, including salary, wages, bonuses, net pay and deductions.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Photographs	<p>The Seller must submit to Freddie Mac photographs clearly illustrating all aspects of the Property, including exterior, interior and street scenes.</p>
Physical Risk Report – Form 1108	<p>The Seller/Servicer has the option to provide to Freddie Mac a completed Form 1108, Physical Risk Report, meeting the requirements of Chapter 66 in lieu of an environmental report and a property condition report for a Mortgage that meets all of the following conditions:</p> <ul style="list-style-type: none"> • The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages



Document	Requirements
	<p>encumbering the Property are \$25 million or less in the aggregate</p> <ul style="list-style-type: none"> The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage
<p>Post-construction analysis report</p>	<p>A post-construction analysis report meeting the requirements of Section 63.5 is required.</p> <p>This report is required for Forward Commitments and for Mod Rehab Mortgages at completion of renovation. See Section 39.9 for submission of a post-construction analysis report for a Mod Rehab Mortgage.</p>
<p>Pre-construction analysis report</p>	<p>A pre-construction analysis report meeting the requirements of Section 63.3(a) is required.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>
<p>Preliminary legal issues memorandum (PLIM)</p>	<p>The Legal Issues Analysis form is used to prepare the preliminary legal issues memorandum (PLIM) prior to loan origination.</p> <p>The Preliminary Legal Issues Memorandum Form – Servicing is the form used to prepare a PLIM meeting the requirements of Section 6.4 for Servicing transactions.</p>
<p>Property condition report</p>	<p>The Seller must provide to Freddie Mac a property condition report meeting the requirements of Chapter 62.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>



Document	Requirements
<p>Property financial statements</p>	<p>The Seller must provide to Freddie Mac financial statements as specified below.</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"> <p>Historical property financial statements</p> <p>The Seller must provide historical property financial statements for the most recent three years, or since the completion of construction of the Property, whichever is less, and including the net rental income, concessions and gross potential rent.</p> <p>Additionally, Seller must provide a statement for the twelve-month period prior to the month in which the Borrower has made the financing request (current property financial statement in a T-12 format). If available, this statement must reflect monthly operations for each of the preceding 12 months. If a monthly summary statement is not available, the Seller must provide a current fiscal year-to-date Property financial statement and a monthly statement for each of the three months prior to the month in which the Borrower has made the financing request.</p> <p>In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping months between T-12 and the prior year property financial statement.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>Borrower’s budgeted property financial statements</p> <p>The Borrower’s budget for the following 12-month period</p> <p>The document(s) must be certified using Form 1112.</p> <p>The Seller must review the property financial statements, which must include income and expense statements.</p> <p>If the financial statements are audited, they must include a statement of changes in financial position and all notes.</p>



Document	Requirements
	<p>For a refinance of an MHC with Manufactured Home(s) owned by the Borrower or an Affiliate of the Borrower, the Seller must provide income and expense statements of the Manufactured Home(s) which must be certified using Form 1112.</p> <p>For (i) a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, or (ii) a Supplemental Mortgage where the Seller both originated the senior Mortgage and is the current Servicer of the senior Mortgage, the Seller must also provide the Servicing Statements used to reconcile the historical property financial statements as required in Section 11.7(b) if such Servicing Statements are not already present in DMS for the existing Mortgage.</p>
<p>Property inspection documentation</p>	<ul style="list-style-type: none"> • Prior to early rate-lock, the Seller must complete and document the inspection described in Section 8.15(a) • At full underwriting, the Seller must complete and document the property inspection described in Section 8.15(b) • Prior to commitment under a Forward Commitment, the Seller must conduct a Forward Commitment Property Inspection as described in Section 8.16 • Prior to conversion under a Forward Commitment, the Seller must conduct a complete property inspection as described in Section 8.15(b) <p>The inspection requirements must be completed within 90 days of Freddie Mac’s receipt of the applicable underwriting package.</p> <p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form.</p> <p>If the Seller inspection was not completed on the same day as the inspection for either the Appraisal and/or the physical condition report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p> <p>See Section 8.15 for additional information regarding property inspection requirements.</p>



Document	Requirements
<p>Proposed transaction schedule</p>	<p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a proposed transaction schedule that sets forth the schedule and timing for the bond transaction, including the scheduled conference calls, timing for the delivery of documents and the closing date.</p>
<p>Purchase agreement documentation</p>	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"> • A copy of the purchase agreement and all amendments • An analysis of the purchase agreement and all amendments by Seller’s counsel using the Purchase Agreement Analysis form <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>
<p>Quote</p>	<p>The Seller must provide a copy of any written Quote issued by Freddie Mac, or a statement indicating the date and terms of the verbal Quote the Borrower has selected.</p>
<p>Real Estate Schedule, Form 1116</p>	<p>The Seller must provide to Freddie Mac a Form 1116, Real Estate Schedule, for all real estate in which any Key Borrower Principal that is not newly formed currently has a direct or indirect interest.</p> <p>NOTE: A Form 1116 is not required for the Seller/Servicer or its affiliate when the Seller/Servicer or its affiliate has an equity interest in the Borrower in the form of a Preferred Equity investment and is a Pre-Approved Transferee under the Mortgage.</p> <p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p> <ul style="list-style-type: none"> • Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following: <ul style="list-style-type: none"> ○ The full recourse obligation to the lender, including the entire amount of joint and several guarantees ○ For loans on properties under construction, the loan amount drawn to date and the as-is value



Document	Requirements
	<ul style="list-style-type: none"> • Provide a written explanation of any non-performing assets in its portfolio • State whether the Key Borrower Principal owns other properties in the market where the Property is located <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit Form 1116 unless specifically requested by Freddie Mac.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>If the Property is a Cooperative or MHROC, the Form 1116 may be waived.</p>
Real Estate Schedule Addendum – Seniors Housing	See “Seniors Housing Real Estate Schedule Addendum.”
Real estate tax bill	<p>If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property’s local taxing authority.</p> <p>If the Mortgage is being originated for the purpose of new construction, a real estate tax bill is not required.</p>
Registration of rental units (rent control/ stabilization)	The Seller must provide to Freddie Mac proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property. Freddie Mac may require similar proof of compliance with such requirements for prior years and may require 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/Service must provide the documentation listed below. For a Preservation Rehabilitation Mortgage, Freddie Mac may request the Seller/Service to include the following documentation in the underwriting package. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.



Document	Requirements
	<ul style="list-style-type: none"> • Construction budget – hard costs and material quantities • Development budget – total project costs, including soft costs, financing costs, land acquisition expenses and hard costs • Construction schedule – the timeline for major construction activities • Lease-up schedule – the timeline for the lease-up • Final plans and specifications – a clear picture of the Property’s appearance and new features post-renovation. Plans and specifications are considered to be final when they are stamped 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 <p>Work in Progress: If renovation work commenced before underwriting, additional information is required. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"> • Sponsor certification regarding all work completed and costs expended • All executed change orders to date • All construction monitoring reports to date.



Document	Requirements
	<p>For any new construction (i.e., new residential or amenity building), a more detailed breakout within the budget, schedule, and plans/specs is required. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>See Chapter 63 for additional information about renovation documentation.</p>
<p>Rent, income and use restriction documentation</p>	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p> <p>If applicable, see also:</p> <ul style="list-style-type: none"> • Land Use Restriction Agreement (LURA)/Regulatory Agreement (for tax-exempt bonds, if applicable, and LIHTC) • Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation • Housing Assistance Payments (HAP) contract • Registration of rental units (rent control/stabilization)
<p>Rent roll</p>	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at https://mf.freddie.mac.com/docs/rent_roll_template.xls.</p> <ul style="list-style-type: none"> • Is dated within 30 days of the underwriting package submission. • Is complete with respect to the required information below for each unit: <p><u>For a Property that is not secured by a Seniors Housing Mortgage:</u></p> <ol style="list-style-type: none"> 1. "As of" date of the rent roll clearly indicated within the document 2. Tenant's name(s)



Document	Requirements
	<ol style="list-style-type: none"> 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 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 <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p><u>For a Property secured by a Seniors Housing Mortgage:</u></p> <ol style="list-style-type: none"> 1. "As of" date of the rent roll clearly indicated within the document 2. Tenant's name(s)



Document	Requirements
	<ol style="list-style-type: none"> 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 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



Document	Requirements
	<p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p><u>For Mortgages originated under a Forward Commitment:</u></p> <ul style="list-style-type: none"> • A rent roll is not required in the full underwriting package for a Mortgage originated for new construction • For a TAH Cash or TAH Bond Credit Enhancement Conversion Underwriting Package, the rent roll must cover the preceding 90 days and must be dated within 45 days of the Conversion <p>In addition to the rent roll, for an LIHTC Property where the Income Averaging Set-Aside has been applied, the Seller must provide a rent roll analysis confirming that rents on the Origination Date will meet the average AMI requirements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
Residential lease sample	<p>Freddie Mac requires the property inspector to upload, to DMS as part of the required Property inspection documentation, a sample or unexecuted residential lease or an executed residential lease.</p>
Seismic risk documentation	<p>If a Property is located in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64.2. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary.</p>
Seller’s certification and disclosure of any HUD-2530 issues relating to the Borrower Principal and Property Manager	<p>Freddie Mac requires the Seller to certify and disclose any issues with the Borrower Principal and Property manager that may have been identified on a Form HUD-2530, <i>Previous Participation Certificate</i>. This form is HUD’s centralized review of the past/present performance of those principals applying for participation in HUD’s multifamily housing programs. Principals are reviewed to see if they have carried out their past financial, legal, and administrative obligations in a satisfactory and timely manner.</p>



Document	Requirements
<p>Seller’s certification regarding compliance with representations and warranties</p>	<p>The Seller must provide to Freddie Mac the following certification in a letter on the Seller's stationery:</p> <p>“Seller certifies that it is familiar with and in compliance with the warranties and representations that, pursuant to Chapter 5 of the Freddie Mac <i>Multifamily Seller/Service Guide</i>, it is deemed to make with respect to each Mortgage and related information delivered to Freddie Mac.”</p>
<p>Seller's mortgage loan application with Borrower</p>	<p>For all Mortgages, the Seller must provide to Freddie Mac a copy of the mortgage loan application executed by the Borrower and submitted to the Seller. The application must evidence all material terms of the proposed mortgage financing. In addition, for Mortgages submitted under the early rate-lock delivery option, the Seller’s application must evidence the Borrower’s obligation to pay the Borrower Breakage Fee (see Section 27.2).</p> <p>For any Mortgage, the mortgage loan application must include the following authorization by the Borrower:</p> <p>“The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the "Mortgage") to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p> <p>For any cash execution Mortgage, the mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"> • “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial statements from the Borrower outlining the Property’s financial performance.” • “The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac’s portfolio.”



Document	Requirements
	<p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement program, the mortgage loan application must include the following authorization by the Borrower:</p> <p>“The Borrower understands that Freddie Mac intends to credit enhance the mortgage loan for which Borrower is applying (the “Mortgage”). If Freddie Mac credit enhances the Mortgage, the Borrower’s signature below constitutes the Borrower’s authorization for Freddie Mac to publicly use, at Freddie Mac’s discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p>
<p>Seller's pro forma property financial statements</p>	<p>The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>
<p>Seniors Housing agreements and contracts</p>	<p>The Seller must provide to Freddie Mac a copy of all potentially material contracts and agreements by the Borrower, manager or operator of the Property related to the ownership and operations of the Seniors Housing Property, acceptable to Freddie Mac, including, but not limited to contracts:</p> <ul style="list-style-type: none"> • For preparing and serving food (not including food supply contracts) • For medical services or healthcare provider agreements, regardless of annual consideration or term, or • Of which the average annual consideration, directly or indirectly, is at least \$50,000 <p>Generally, copies of contracts for routine maintenance such as landscaping, snow removal or general office equipment are not required.</p> <p>The Seller must also provide a certification from the Borrower listing the contracts that fall into the foregoing categories, and who among the Borrower, operator, and property manager is a party to each contract. If there are no contracts that fall into the foregoing categories, the Seller must provide a certification from the Borrower to that effect.</p>



Document	Requirements
	<p>The Legal Issues Analysis must specify (i) any contracts that should be considered material for purposes of the Loan Agreement, and (ii) recommendations regarding assignments of contracts that are not in the Borrower’s name.</p>
<p>Seniors Housing Liability Assessment</p>	<p>If the Property includes assisted living, Alzheimer’s care or skilled nursing units, the Seller must provide to Freddie Mac a Seniors Housing Liability Assessment for each property manager or Operator to evaluate its risk management practices with respect to employees, residents and incident reporting.</p> <p>The Seniors Housing Liability Assessment must be performed by a professional meeting the requirements of Section 21.2(i) and the Seller/Servicer must document the suitability of the professional in the Liability Assessment.</p> <p>The Seniors Housing Liability Assessment must address the following topics:</p> <p>1. Professional Qualifications</p> <p>a. Experience Minimum of five years’ experience in geriatrics/long-term-care clinical practices.</p> <p>b. Education Minimum of five years as a Licensed Administrator, licensed practical nurse (LPN) registered nurse (RN), or Physician Extender (PA, RNP)</p> <p>c. References, which address:</p> <ol style="list-style-type: none"> 1. Scope of work 2. Quality of recommendations given 3. Quality of resources provided 4. Timeliness of work product <p>d. Sample work product:</p> <ol style="list-style-type: none"> 1. Copy of typical assessment report 2. Sample recommendations based on industry exposures 3. Sample resources provided to clients to assist in reducing risk to claims



Document	Requirements
	<p>4. Training programs offered</p> <p>5. Monitoring programs offered</p> <p>2. Employee Practices</p> <p>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)</p> <p>b. Hiring and screening practices and personnel policies (e.g., employee handbook, orientation materials, initial and in-service training materials, available resources, etc.)</p> <p>c. Identification of the use of electronic systems including Billing, Medical Administration Record (MAR), Patient care management, and Marketing</p> <p>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</p> <p>3. Management Practices</p> <p>a. Key Topics</p> <ol style="list-style-type: none"> 1. Evidence of written employee policies and procedures manual 2. Staff orientation, screening and discipline regarding resident care issues <p>b. List of key Property level staff including:</p> <ol style="list-style-type: none"> 1. A list of the key Property level positions 2. The tenure of individuals in their positions at the facility 3. The amount of experience the individuals have in the seniors housing industry 4. Resumes should be attached to the report <p>c. Identification of the availability and usage of home health services including:</p> <ol style="list-style-type: none"> 1. Identify whether home health services are being used at the Property



Document	Requirements
	<ul style="list-style-type: none"> 2. Identify who is providing or contracting with the home health services – for example is it the Borrower, a Borrower Affiliate, the Operator, an Operator Affiliate, or a third party 3. If home health services are provided or contracted by the Borrower or Operator verify the provider’s certification or licensing, as required by State as well as a copy of the referenced contract 4. Identify whether the home health provider leases space or not at the Property 5. Type of services offered by home health agency <p>d. Risk management policies and procedures, including identifying and analyzing the background/experience of individuals employed by the Borrower or the Operator to handle insurance and risk management matters.</p> <p>e. Corporate / Regional Support and Quality Assurance:</p> <ul style="list-style-type: none"> 1. Discussion of the corporate / regional oversight or 3rd-party contract of the facility including identification of the corporate / regional staff that visit the Property including their title and frequency of visits 2. Copy of any risk management tools and summary reports/ audits, if available 3. Implementation of a quality assurance program addressing the regulatory compliance and whether internal results are tracked, trended, analyzed or benchmarked against other properties operated <p>4. Resident Practices:</p> <ul style="list-style-type: none"> a. The following must be provided, documented, and analyzed regarding resident practices: <ul style="list-style-type: none"> 1. Copy of written admission agreement(s) and fees that identify scope of services to be provided 2. Copy of resident assessment forms and qualifications of staff responsible for assessing residents prior to admission, as well as how often residents are assessed going forward b. Confirmation that specific policies and procedures are in place to address the following conditions:



Document	Requirements
	<ol style="list-style-type: none"> 1. Resident service plan established and updated with changes in condition 2. Resident evacuation in case of emergency 3. Fall management 4. Elopement/Wandering 5. Skin Care 6. Elder Abuse 7. Dehydration/Malnutrition 8. Neglect 9. Mental health behavior plan 10. Physical notification for change in resident condition 11. Medication management 12. Smoking 13. Transfer/Discharge 14. Infectious Control <p>c. Collection of Resident Turnover data by care type to calculate the turnover ratio for the most current year available</p> <p>5. Regulatory Compliance:</p> <ol style="list-style-type: none"> a. Identity of governmental authorities with jurisdiction over the Property, as well as each governmental authority's definition of the level of care permitted at the Property. b. Copies and a summary of all governmental surveys for last three-years or three certification periods including a summary and analysis of any deficiencies or enforcement actions cited in the surveys. The severity, repeated deficiencies and type of enforcement action (such as probation or ban on admissions) must be part of the analysis, categorized by the following topics: <ol style="list-style-type: none"> 1. State Health Inspections 2. Fire / Life Safety Inspections 3. Food Safety Inspections c. Copies of the Plan of Corrections (POCs) submitted by the owner or Operator and the date of acceptance of the government authority, if applicable. If the POC has not been accepted by the government authority, then the process required to resubmit plan of correction of deficiencies must be provided including any steps already taken or remaining to complete. If the correction requires re-inspection, this



Document	Requirements
	<p>should be noted and whether it will occur at the next standard licensure inspection or earlier date.</p> <p>d. Discussion of whether the Property is in substantial compliance from most recent inspection and is permitted to continue operations until re-inspection.</p> <p>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:</p> <ol style="list-style-type: none"> 1. State health licenses 2. Business licenses 3. Food permits <p>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.</p> <p>g. If the Property receives any sort of subsidy program (for example Medicaid/ Medicare), then the report must include the following:</p> <ol style="list-style-type: none"> 1. Assessment of the status of any federal, state, or local proposed regulations or amendments to existing regulations that could affect the Property 2. Identification and analysis of any special insurance requirements required by any government authority. <p>Recommendation / Summary:</p> <p>a. Onsite inspection of the Property</p> <p>b. An overall assessment of employee, management and resident practices as well as regulatory compliances affecting the Property, including the identification and analysis of shortcomings with recommendations on matters to the ownership, operation or management of the Property</p> <p>c. List of sources and references used to complete the report</p>



Document	Requirements
<p>Seniors Housing licenses and certificates</p>	<p>The Seller must provide the following to Freddie Mac:</p> <ul style="list-style-type: none"> • A list of any and all licenses, certificates and permits required for the operation of the Property • A copy of each existing license, certificate or permit issued by any governmental or regulatory authority, whether issued to the Borrower, the manager or the operator of the Property, and the renewal date of each such license, certificate or permit • Documentation pertaining to any pending or outstanding violations, findings, investigations or corrective actions by such governmental or regulatory authority with respect to the Property and the status of any corrective actions pending or resolved within the previous three years <p>See Section 21.3(e) for additional license requirements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<p>Seniors Housing list of furniture, fixtures, equipment and motor vehicles</p>	<p>The Seller must submit to Freddie Mac a list of items or classes of items of all furniture, fixtures, equipment and motor vehicles located on or used in connection with the Property (“FF&E”) that are not owned by the Borrower, including the name of the owner of each item.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p>If all FF&E is owned by the Borrower, the Seller must provide a certification from the Borrower to that effect.</p> <p>The Legal Issues Analysis must include the Seller’s counsel’s recommendation with respect to the Lender’s security interest in FF&E and motor vehicles not in the Borrower’s name.</p>
<p>Seniors Housing Management Assessment</p>	<p>A Seniors Housing Management Assessment is required for any Seniors Housing Mortgage with a UPB greater than or equal to \$50 million, or for any Seniors Housing Mortgage that is part of a crossed pool, if the pool has a UPB greater than or equal to \$100 million.</p> <p>The Seniors Housing Management Assessment is a narrative report that describes and assesses the experience and capabilities of the</p>



Document	Requirements
	<p>Manager or Operator of the Property regarding the daily use and operation of the Property. It is required, whether the Manager or Operator of the Property is or is not an affiliate of the Borrower.</p> <p>The Seller may prepare the Seniors Housing Management Assessment or may contract for its preparation by a third-party.</p> <p>The Seniors Housing Management Assessment must address each of the categories outlined below:</p> <ol style="list-style-type: none"> 1. Management structure and experience <ol style="list-style-type: none"> a. Organizational charts that identify all reporting relationships at the corporate, regional, and Property levels b. Description of the depth and level of experience of all key personnel at the corporate, regional, and Property levels 2. Employee / Management Practices <ol style="list-style-type: none"> a. Corporate, regional, and Property level hiring and retention practices b. Interaction between corporate / regional staff with Property level staff c. Corporate training practices 3. Healthcare IT <p>Review of the corporate and property level healthcare information technology including accounting, resident management, marketing, resident assessments, resident service plans, activities, medication administration records, and electronic health records.</p> 4. Risk Management Program <ol style="list-style-type: none"> a. Corporate policies and procedures for reviewing, investigating, and reporting incidents and accidents b. Corporate level assessment of operations and clinical issues



Document	Requirements
	<p>c. Corporate GL/PL insurance overview</p> <p>5. Regulatory Compliance</p> <p>Corporate quality assurance program practices.</p> <p>6. Summary and Conclusion</p> <p>Overall conclusion on the competency of Manager or Operator experience and capabilities and whether they meet, exceed, or fall short of industry standards.</p>
<p>Seniors Housing operating lease</p>	<p>For any operating lease at the Property that will be in place on the Origination Date, the Seller must provide:</p> <ul style="list-style-type: none"> • A copy of the complete operating lease; and • An Operating Lease Analysis completed by the Seller’s counsel, using the form available at mf.freddie.mac.com/lenders/legal
<p>Seniors Housing Real Estate Schedule Addendum</p>	<p>In addition to the Form 1116, Real Estate Schedule, or other form, for a Borrower who leases the Property to a third-party operator, the Seller must provide Freddie Mac with the following information for each of the other such properties run by the operator:</p> <ol style="list-style-type: none"> 1. Name, address and location 2. Term of the contract 3. Property owner's name, address and telephone number 4. Type of resident care, if any, provided (for example, independent living, assisted living, dementia care or skilled nursing care) 5. A list of any required licenses and certifications that are not current and in good standing <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>



Document	Requirements
Sources and Uses	<p>The Seller must provide details about a transaction’s cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>Sources and uses may be included in the mortgage transaction narrative analysis.</p>
Student Housing Questionnaire, Form 1120	<p>The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire, for each Student Housing Property.</p>
Subordinate debt documentation	<p>The Seller must provide documentation for any subordinate debt, such as the note, mortgage, loan agreement and regulatory agreement or, if the subordinate loan has not yet been originated, the forms of such documents and the commitment for the subordinate loan.</p>
Summary of interest rate hedge terms	<p>The Seller must provide to Freddie Mac a summary of interest rate hedge terms.</p>
Survey	<p>A current survey of the Property meeting the requirements of Section 29.5. If the Mortgage is being originated for the purpose of new construction, an as-built survey is not required.</p>
Verification of Collections, Form 1144	<p>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.</p>
Wood-damaging insect inspection documentation	<p>A wood-damaging insect inspection report is not required if the Property has no wood framing or structural members (i.e., significant components that could be subject to damage by wood-damaging insects, such as termites, powderpost beetles, carpenter ants, etc.) as determined by either the Property Condition Report or the Physical Risk Report.</p> <p>For any Property with wood framing or structural members as described above, the Seller must provide the following</p>



Document	Requirements
	<p>documentation to Freddie Mac:</p> <ul style="list-style-type: none"> • A wood-damaging insect inspection report stating that there is no evidence of wood-damaging insect infestation, or • Certification from the Property’s current pest control provider stating that there is no evidence of wood-damaging insect infestation and the Property is regularly inspected and/or treated to prevent wood-damaging insect infestation. <p>The wood-damaging insect inspection report or the certification from the Property’s current pest control provider must be dated within six months prior to the date of the submission of the full underwriting package to Freddie Mac.</p> <p>Notwithstanding the above, the documentation listed above is not required if the following three conditions are satisfied:</p> <ul style="list-style-type: none"> • The Borrower provides documentation confirming that there is a wood-damaging insect contract in place for the Property; • A wood-damaging insect contract will remain in place for the term of the Mortgage, and • There is no evidence of wood damage per the Property Condition Report (if applicable); <p>See also Sections 62.5(a), Property grounds and buildings, 62.5(e) Wood-damaging insects and 8.2(e) Wood-damaging insect inspection reports.</p>
<p>Zoning documentation</p>	<p>The Seller must provide a zoning report by a third-party reporting company. See Section 8.5 for additional documentation and analysis requirements if:</p> <ul style="list-style-type: none"> • The Property does not conform to current zoning regulations • A zoning report is not available in the jurisdiction where the Property is located • Not all certificates of occupancy required for the use, operation and occupancy of the Property are available



Document	Requirements
	<p>Regardless of whether a zoning report is required, for all full underwriting packages, the Seller must include all available certificates of occupancy as part of the zoning documentation.</p> <p>The zoning report may also include documentation of building code violations.</p> <p>A zoning report is not required if the Appraisal includes the zoning analysis required by Section 60.12(f)(2) and all of the following conditions are met:</p> <ul style="list-style-type: none"> • The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate • The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage <p>See Section 8.5 for complete requirements.</p>

55.3 Requirements for documents contained in the prescreen package (04/13/23)

Cell phone tower lease	The Seller must provide an analysis of cell phone tower leases, if any.
TAH Conflicts Check – Transaction Parties and Details	The Seller must include a completed copy of the TAH Conflicts Check – Transaction Parties and Details for all Tax-Exempt Loans, Tax Exempt Bond Credit Enhancement Mortgages, and, upon request, for other TAH Mortgages.
Draft Appraisal	The Seller may provide a summary of a draft Appraisal for the Property, if available.
Environmental report and alternatives	The Seller must, to the extent available, provide an environmental report analysis meeting the requirements of Chapter 61.



<p>Financial statements of Borrower and Key Borrower Principals</p>	<p>The Seller must provide, to the extent available, current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>If current certified financial statements are unavailable, the Seller must provide an informed analysis, developed based on discussions and other due diligence, of the financial capacity of the Borrower(s) and Key Borrower Principal(s).</p>
<p>Information on similar projects completed</p>	<p>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.</p>
<p>TAH Request for Initial Cash Quote or Initial Bond Quote</p>	<p>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.freddie.mac.com/lenders/uw.</p>
<p>Loan Submission Template for Targeted Affordable Housing</p>	<p>The Seller must include a completed copy of the Loan Submission Template for Targeted Affordable Housing that is provided to the Seller by Freddie Mac. The latest version of the Template can be found at mf.freddie.mac.com/lenders/uw/loan_submission_template.html.</p>
<p>Market study</p>	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"> 1. Market area definition 2. Physical and location analysis 3. Economic analysis 4. Demographic analysis 5. Supply analysis 6. Demand analysis 7. Capture rate analysis 8. Recommendation



Prescreening Executive Summary	The Seller must include a completed copy of the Prescreening Executive Summary form provided to the Seller by Freddie Mac.
Property condition report	The Seller must, to the extent available, provide an analysis of the property condition report meeting the requirements of Chapter 62.
Real Estate Schedule, Form 1116	The Seller must provide a Form 1116, Real Estate Schedule, or other form that contains comparable information, for all real estate in which any Key Borrower Principal currently has a direct or indirect interest.
Rent comparables summary	The Seller must provide a list of comparable properties in the market/submarket, detailing rents, unit size, unit mix, etc.
Resumes of Borrower and Key Borrower Principals	The Seller must provide a description of the Borrower’s and Key Borrower Principals’ (and Borrower Principals on TAH Mortgages where the qualifications of the Borrower Principal is significant to the success of the deal) experience with projects that are comparable in size and scope to the proposed transaction.

Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 12/9/2024 11:01:21 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 55 - Doc and Deliveries GB-10-17-24.docx	
Modified filename: 55 - Doc and Deliveries GB-12-12-24.docx	
Changes:	
<u>Add</u>	4
<u>Delete</u>	6
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	10

Multifamily Seller/Service Guide

Chapter 55SBL

SBL Documentation and Deliveries



55SBL.1 Use of Chapter 55SBL (12/14/23)

- a. Preparing an underwriting package (12/14/23)
- b. Preparing documentation required for a Transfer of Ownership (06/29/17)
- c. Notification requirements regarding updates to the underwriting package (02/16/23)
- d. Ability to request additional information (04/13/23)

55SBL.2 ~~Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (10/17/24)~~Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (12/12/24)



55SBL.1 Use of Chapter 55SBL (12/14/23)

This Chapter 55SBL applies to SBL Mortgages originated under Chapter 18SBL. In this Chapter 55SBL, SBL Seller/Servicers are referred to as “Seller,” and SBL Mortgages are referred to as “Mortgages.”

Chapter 55SBL is to be used in the preparation of an underwriting package for an SBL Mortgage, and in the preparation of documentation to be submitted to Freddie Mac in connection with a Transfer of Ownership, as indicated in Chapter 41SBL.

a. Preparing an underwriting package (12/14/23)

1. Due Diligence – Chain of Custody.

- A. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting package as set forth in this chapter (other than Freddie Mac required third-party reports) must be delivered directly to the Seller/Servicer by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal’s firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with the due diligence and underwriting documentation chain of custody requirement.

2. Documentation Delivery. At the Seller's expense, the Seller must deliver the documents to Freddie Mac and remit any required fees to Freddie Mac by wire transfer, subject to Freddie Mac's approval.

- A. The Seller must obtain wire transfer instructions from the *Applicable Freddie Mac Multifamily Regional Office*.
- B. The Seller must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.
- C. With respect to each delivery:
 - The Seller must deliver the documents simultaneously.
 - The Seller may not make any changes to forms prescribed by Freddie Mac without prior written authorization from Freddie Mac.

If the delivery is incomplete, if the documents have not been properly prepared, or if the documents do not, or the delivery does not, otherwise conform to Freddie Mac requirements, Freddie Mac cannot process the package.



b. Preparing documentation required for a Transfer of Ownership (06/29/17)

Instructions for the preparation of documentation for a Transfer of Ownership can be found in Chapter 41SBL.

c. Notification requirements regarding updates to the underwriting package (02/16/23)

The Seller/Servicer must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

d. Ability to request additional information (04/13/23)

Notwithstanding the documentation requirements in Section 55SBL.2, Freddie Mac reserves the right to request any document identified in Section 55SBL.2 from any Borrower Principal.

55SBL.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (~~10/17/24~~12/12/24)

a b c d e f g h i j k l m n o p q r s t u v w x y z

Document	Requirements
<p>Access easement and Essential Facilities and/or Recreational Facilities easement documentation</p>	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"> • If the Property shares primary ingress and/or egress with adjacent or neighboring properties <ul style="list-style-type: none"> ○ Documentation in accordance with Section 8SBL.6 ○ A PLIM, if required by Freddie Mac ○ A copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable ○ An opinion from a land use attorney acceptable to Freddie Mac, if requested by Freddie Mac • If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the



Document	Requirements
	<p>owner</p> <ul style="list-style-type: none"> ○ Documentation in accordance with Section 8SBL.6 ○ A PLIM, if required by Freddie Mac <ul style="list-style-type: none"> ● See also “confirmation of or a request for approval of shared facilities or access.”
<p>Aged Receivables Report</p>	<p>The Seller must review and submit to Freddie Mac a report which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report should be dated as of the ending T-12 period for the current property financial statement submitted.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<p>Appraisal</p>	<p>The Seller must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the Additional Appraisal Requirements Memorandum.</p> <p>The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.</p>
<p>Borrower and Key Borrower Principal Blanket Certification, Form 1112</p>	<p>Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation:</p> <ul style="list-style-type: none"> ● Property Financial Statements (Historical and Budgeted) ● Rent Roll ● Real Estate Schedule



Document	Requirements
	<ul style="list-style-type: none"> • Financial Statement • Monthly collections, if not submitted and certified by Form 1144, Verification of Collections • Other documentation, as applicable (i.e., Aged Receivable Report, Liquidity verification documentation etc.) <p>Form 1112 must be completely populated, including an indicator for the document(s) being certified as well as the applicable date(s) of the document(s).</p> <p>The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.</p>
<p>Borrower and Key Borrower Principal Certificate, Form 1115</p>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with a Form 1115, Borrower and Key Borrower Principal Certificate, executed by each individual Borrower or Key Borrower Principal, as applicable.</p> <p>Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals:</p> <ol style="list-style-type: none"> 1. Past mortgage payment and default experience 2. History of criminal, administrative, and/or litigation proceedings <p>Each Certificate must be dated not more than 60 days prior to the date the Seller submits the underwriting package to Freddie Mac (“Submission Date”).</p> <p>For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form 1115. The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date.</p>
<p>Borrower’s budgeted property financial statements</p>	<p>See “property financial statements.”</p>



Document	Requirements
<p>Breakdown of construction costs</p>	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see “capital improvement documentation.”</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<p>Calculation of prepayment premium</p>	<p>For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.</p>
<p>Capital improvement documentation</p>	<p>When required by Freddie Mac, the Seller must submit:</p> <ul style="list-style-type: none"> • For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction • For any major past renovations, a summary of these renovations and documentation concerning the costs <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>
<p>Certification — Organizational Chart, Form 1114</p>	<p>A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new Form 1114, Certification – Organizational Chart.</p>
<p>Certified Organizational Chart</p>	<p>An Organizational Chart that is certified using Certification – Organizational Chart, Form 1114.</p>
<p>Commercial lease documentation</p>	<p>The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.</p> <p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the</p>



Document	Requirements
	<p>residential and commercial lease portions of the Property's income.</p> <p>The Seller must provide a completed Commercial Lease Analysis and Estoppel – SBL for each lease. If the income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac, Seller must have the tenant execute the estoppel portion of the Commercial Lease Analysis and Estoppel – SBL.</p> <p>The Commercial Leases Analysis and Estoppel – SBL form is available at mf.freddiemac.com.</p> <p>See Section 8SBL.11 for commercial lease SNDAs and subordinations; see Section 8SBL.2(b) for commercial use requirements.</p>
<p>Complete Borrower/Key Borrower Principal Due Diligence Package</p>	<p>A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115, Borrower and Key Borrower Principal Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals and a credit report for Borrowers and Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and Liquidity verification documentation, if applicable. It is submitted as part of the underwriting package to Freddie Mac.</p>
<p>Condominium Analysis</p>	<p>If the Property is subject to a condominium regime, the Seller must confirm in the Mortgage Transaction Narrative Analysis that the Borrower owns 100 percent of the real property that is subject to the Condominium regime.</p>
<p>Confirmation of compliance or a request for approval of shared facilities or access</p>	<p>If any on-site or off-site facilities or access are shared and if Freddie Mac requests a PLIM, the Seller must submit in a PLIM a confirmation that any such sharing arrangement meets the requirements of Section 8SBL.6.</p>
<p>Credit reports</p>	<p>The Seller must provide to Freddie Mac a current credit report on each Borrower and each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report</p>



Document	Requirements
	<p>must</p> <ol style="list-style-type: none"> 1. Be reviewed by the Seller 2. Be issued by an independent credit reporting agency acceptable to Freddie Mac 3. Be dated within 60 days before delivery to Freddie Mac 4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings 5. List any other debts 6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records 7. Include FICO scores for Borrowers and Guarantors
Current property financial statements	See “property financial statements.”
Delegated property inspection letter	See “property inspection documentation.”
Document analysis by Single Counsel	The Seller must provide an analysis by Single Counsel of certain legal documents affecting the Property, as described in Section 6SBL.10.
Equity Conflict of Interest statement	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"> • With the full underwriting package, or • For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i>
Evidence of Insurance	The Seller must submit the following to Freddie Mac to verify that the Property has, or will have as of the Freddie Mac Funding Date, adequate property damage and liability insurance as required by the Purchase and Servicing Documents:



Document	Requirements
	<ul style="list-style-type: none"> Fully completed Form 1133, Seller/Service Certification of Insurance Coverage, via the Insurance Compliance Tool (ICT) The documents listed in Sections 31.20(a) and 31.20(b), as applicable <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p>
<p>Evidence of Tax Abatement</p>	<p>For Properties benefiting from real estate tax abatements, the Seller must provide a completed Tax Abatement/Exemption Analysis – SBL and documentation from the taxing authority or the governing body confirming:</p> <ul style="list-style-type: none"> That the Property or the Borrower, as applicable, has qualified for the Tax Abatement The amount of annual tax to be paid, if any The term of the Tax Abatement Any other requirements of the Tax Abatement <p>See Section I of the Tax Abatement/Exemption Analysis - SBL for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The Tax Abatement/Exemption Analysis - SBL is found on the legal document pages of mf.freddie.com.</p>
<p>Financial statements of Borrower and Key Borrower Principals – certified</p>	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p> <ul style="list-style-type: none"> Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key



Document	Requirements
	<p>Borrower Principal</p> <ul style="list-style-type: none"> • Federal income tax returns for the Borrower for the most recent taxable year, if requested <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p> <p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"> • All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities • All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation • Any factors that may materially affect the Borrower or Key Borrower Principal's financial position immediately or during the term of the Mortgage <p>The Seller must review the Borrower financial statements.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <p><u>Non-profit Borrower or Key Borrower Principal</u></p> <p>If the Borrower or Key Borrower Principal is a non-profit, the Seller must identify whether the non-profit Borrower's or Key Borrower Principal's primary funding sources are from fees on development projects or from competitive sources such as public funding, grants, gifts, or donations that may be subject to budget constraints.</p>



Document	Requirements
Financial statements – property	See “property financial statements.”
Flood zone determination (FZD)	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
Ground lease documentation	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all the following, with a copy of each to the applicable Single Counsel (see Chapter 30).</p> <ul style="list-style-type: none"> • A copy of the ground lease and all existing amendments • A summary by Single Counsel of any items from the Ground Lease Analysis form (available at mf.freddiemac.com/lenders/legal) that are not satisfied and the risks associated with each non-compliant item • Written confirmation that the fee owner is willing to execute the Security Instrument to encumber its interest • Any other items required by Chapter 30
Historical property financial statements	See “property financial statements.”
Land Use Restriction Agreement (LURA)/ regulatory agreement	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property, along with a Regulatory Agreement Questionnaire – SBL (available at mf.freddiemac.com/lenders/legal).</p> <p>See also “rent, income and use restriction documentation.”</p>
Liquidity verification documentation	<p>Each Key Borrower Principal with Ultimate Control and each Guarantor who (i) is a First-Time Sponsor, or (ii) does not meet the requirements of Section 9SBL.2(c)(2), must provide bank or brokerage statements to validate the Liquidity reported in the certified financial statement.</p> <p>Each bank or brokerage statement must be certified and dated within 60 days of delivery of the full underwriting package.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>



Document	Requirements
	<p>Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor or Limited Multifamily Experience Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using Form 1112.</p> <p>U.S. Public Companies and Governmental Entities that are First-Time Sponsors or Limited Multifamily Experience Sponsors are not required to submit Liquidity verification documentation.</p>
<p>Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</p>	<p>The Seller must provide a copy of:</p> <ul style="list-style-type: none"> • The allocation letter • The Low-Income Housing Credit Allocation and Certification, IRS Form 8609, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service • The Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, IRS Form 8823, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code (IRC) §42 from both the property manager and the Borrower Principal. <p>In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties.</p> <p>See also “rent, income and use restriction documentation.”</p>
<p>Management plan or management agreement</p>	<ul style="list-style-type: none"> • The Seller must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage. • If the Property is managed by the Borrower or the Key Borrower Principal, the Seller must review the Borrower’s management plan. • If a management firm is managing the Property, the Seller must review a copy of the management agreement for the



Document	Requirements
	<p>Property.</p> <ul style="list-style-type: none"> The management agreement must be terminable by the property owner upon not more than 30 days' notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee.
<p>Mortgage transaction narrative analysis</p>	<p>The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller's option) may be based on the Mortgage Transaction Narrative Analysis – Best Practices.</p> <p>The mortgage transaction narrative analysis must contain the following:</p> <ol style="list-style-type: none"> Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage Property's physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages) Property's financial analysis (profile and trend) Evaluation of balloon risk that includes the Borrower's ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment Market analysis (occupancy, supply and concessions) History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including an estimate of the financial capacity of each (that is, estimated net worth, Liquidity and contingent liabilities)



Document	Requirements
	<p>9. An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor or a Limited Multifamily Experience Sponsor</p> <p>10. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee</p> <p>11. Review of third-party reports, including the Seller/Service's reviews of and comments on the Appraisal, environmental and property condition reports (with full underwriting packages only)</p> <p>12. Loan history if there is an existing mortgage on the Property</p> <p>13. Proposed sources and uses of funds</p> <p>14. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or military population)</p> <p>15. Cash equity at risk</p> <p>16. Refinance Analysis on SBL Mortgages that are refinances exceeding the existing unpaid principal balance</p> <p>17. Any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7</p> <p>18. Any exception requests</p> <p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8SBL.15(a), as applicable.</p> <p><u>In addition to items 1 – 16 above, for a Mortgage securing a Property subject to a condominium regime:</u></p> <p>See “Condominium Analysis.”</p>



Document	Requirements
<p>Organizational Charts – Borrower, Guarantor (not in Borrower’s organizational structure), or Pre-Approved Transferee</p>	<p>For any entity that is a Borrower, or a Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity:</p> <ul style="list-style-type: none"> • With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust • That is a Non-U.S. Equity Holder • For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer • That directly or indirectly Controls Borrower, Guarantor not in Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>Single Counsel must review the Organizational Chart.</p> <p>See Guidance – Organizational Charts at mf.freddiemac.com/lenders/uw.</p>
<p>Payroll schedule</p>	<p>The Seller must provide a current schedule of payroll expenses associated with the operation of the on-site leadership team at the Property, including salary, wages, bonuses, net pay and deductions.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>



Document	Requirements
Physical Risk Report	See SBL Physical Risk Report, Form 1104.
Preliminary legal issues memorandum (PLIM)	The Seller must submit to Freddie Mac a preliminary legal issues memorandum meeting the requirements of Section 6SBL.7, if required for a specified issue.
Property financial statements	<p>The Seller must provide to Freddie Mac financial statements for the Property as specified below:</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"> ○ Historical property financial statements <p>The Seller/Servicer must submit a certified operating statement that includes the prior three full years. However, if a Year 3 statement is not available, the Seller/Servicer must submit:</p> <ul style="list-style-type: none"> ○ Year 1 back statement, and ○ Year 2 back statement, if available ○ Current property financial statements (T-12 format or YTD) <p>Freddie Mac strongly prefers the Seller/Servicer to submit a T-12 operating statement. However, if a T-12 operating statement is not available, the Seller/Servicer must submit a YTD statement.</p> <p>In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping months between T-12 and the prior year property financial statement.</p> <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p> <ul style="list-style-type: none"> ○ Monthly Collections



Document	Requirements
	<p>Six months trailing monthly property collections are required if the loan request is a refinance. Three months trailing monthly property collections are required if the loan request is an acquisition.</p> <p>As applicable, the aforementioned collections will either be covered by Form 1144, Verification of Collections, or via the Form 1112.</p> <ul style="list-style-type: none"> ○ Borrower’s budgeted property financial statements <p>The Borrower’s budget for the following 12-month period.</p> <p>The document(s) must be certified using Form 1112.</p> <p>The Seller must review the property financial statements, which must include income and expense statements.</p> <p>If the financial statements are audited, they must include a statement of changes in financial position and all notes.</p> <p>For a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, the Seller must also provide the Servicing Statements used to reconcile the historical property financial statements as required in Section 11.7(b) if such Servicing Statements are not already present in DMS.</p>
<p>Property inspection and Lease Audit documentation</p>	<p>At full underwriting, the Seller must complete and document the property inspection described in 8SBL.15.</p> <p>The inspection requirements must be completed within 90 days of Freddie Mac’s receipt of the applicable underwriting package.</p> <p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form.</p> <p>If the Seller inspection is not on the same day as the inspection for either the Appraisal and/or the Physical Risk Report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p>



Document	Requirements
	<p>See Section 8SBL.15 for additional information regarding property inspection requirements.</p>
<p>Purchase agreement documentation</p>	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"> • A copy of the purchase agreement and all amendments • An analysis of the purchase agreement and all amendments by Single Counsel using the Purchase Agreement Analysis form <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>
<p>Real Estate Schedule, Form 1116</p>	<p>The Seller must provide to Freddie Mac a Form 1116, Real Estate Schedule, for all real estate in which any Key Borrower Principal that is not newly formed currently has a direct or indirect interest.</p> <p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p> <ul style="list-style-type: none"> • Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following: <ul style="list-style-type: none"> ○ The full recourse obligation to the lender, including the entire amount of joint and several guarantees ○ For loans on properties under construction, the loan amount drawn to date and the as-is value • Provide a written explanation of any non-performing assets in its portfolio • State whether the Key Borrower Principal owns other properties in the market where the Property is located



Document	Requirements
	The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Real estate tax bill	If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property's local taxing authority.
Registration of rental units (rent regulation/rent control/stabilization)	The Seller must provide to Freddie Mac proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property. Freddie Mac may require similar proof of compliance with such requirements for prior years and may require other evidence of compliance with State or local rent control or stabilization laws in other States.
Rent, income and use restriction documentation	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p> <p>If applicable, see also:</p> <ul style="list-style-type: none"> • Land Use Restriction Agreement (LURA)/Regulatory Agreement (for LIHTC) • Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation • Registration of rental units (rent control/stabilization)
Refinance Analysis	<p>If applicable, the following documentation may be required for SBL Mortgages that are refinances exceeding the existing unpaid principal balance:</p> <ul style="list-style-type: none"> • Refinance Analysis • Three months of bank statements showing rental deposits • Rent roll verifying net residential income (NRI) growth • Evidence of capital expenditures completed or construction, including: <ul style="list-style-type: none"> ○ Photos ○ Schedule of completion



Document	Requirements
	<ul style="list-style-type: none"> ○ Paid receipts/contracts ○ Building permits ○ Post-completion inspection reports ○ Additional evidence required by Lender
<p>Rent roll</p>	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at https://mf.freddiemac.com/docs/rent_roll_template.xls.</p> <ul style="list-style-type: none"> ● Is dated within 30 days of the underwriting package submission ● Is complete with respect to the required information below for each unit: <ol style="list-style-type: none"> 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 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 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 <p>The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.</p>



Document	Requirements
Residential lease sample	Freddie Mac requires the property inspector to upload, to DMS as part of the required Property inspection documentation, a sample or unexecuted residential lease or an executed residential lease.
SBL Physical Risk Report – Form 1104	Seller must provide to Freddie Mac a completed Form 1104, SBL Physical Risk Report, meeting the requirements of Chapter 62SBL.
Seismic risk documentation	If a Property is in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64SBL.2(b), as applicable. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary.
Seller's mortgage loan application with Borrower	<p>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.</p> <p>The mortgage loan application must include the following authorization by the Borrower:</p> <p>“The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the "Mortgage") to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction</p>



Document	Requirements
	<p>information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p> <p>The mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"> • “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial statements from the Borrower outlining the Property’s financial performance.” • “The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac’s portfolio.”
Seller's pro forma property financial statements	<p>The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>
Sources and uses	<p>The Seller must provide details about a transaction’s cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>For SBL Mortgages that are refinances exceeding the existing unpaid principal balance, the sources and uses must include the existing debt and prepayment premiums or penalties associated with the existing loan payoff. Verification to support this request is required and can be in the form of a mortgage payoff or mortgage statement.</p>
Student Housing Questionnaire, Form 1120	<p>The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire, for each Property where the concentration of graduate and undergraduate Students is greater than 25 percent.</p>
Verification of Collections, Form 1144	<p>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</p>



Document	Requirements
	submission, unless otherwise specified by Freddie Mac. In lieu of a Form 1144, the Borrower may provide certified operating statements for the most recent three months.
Zoning documentation	See Section 8SBL.5 for complete requirements.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 12/9/2024 11:02:22 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 55SBL - SBL Documentation and Deliveries GB-10-17-24.docx	
Modified filename: 55SBL - SBL Documentation and Deliveries GB-12-12-24.docx	
Changes:	
<u>Add</u>	4
<u>Delete</u>	6
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	10

Multifamily Seller/Service Guide

Chapter 60

Appraiser and Appraisal Requirements



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60.1 General requirements; Additional Requirements (04/18/24)

For all multifamily purchase programs and products, the Seller/Servicer must submit a written Appraisal on the Property with the full underwriting package submission or in connection with certain Special Servicing requests.

a. Appraisal requirements (04/18/24)

Freddie Mac requires that the Appraisal be in a narrative format. The Appraisal must be ordered by the Seller/Servicer and it must be completed by and signed by an appraiser approved by the Seller/Servicer. Freddie Mac will not accept Appraisals ordered by and/or prepared for anyone other than the Seller/Servicer.

To support Freddie Mac's evaluation of the Loan, Freddie Mac requires that the Appraisal contain transparent data analysis in a concise but comprehensive report format. It is important that Freddie Mac receive only quality Appraisals and analyses, supported by the Seller/Servicer's selection of well-qualified appraisers and the Seller/Servicer's critical review of the appraiser's Appraisals.

Note, effective for Mortgages taken under Seller Application on or after February 20, 2023, Seller/Servicers must also comply with the policies set forth in the *Additional Appraisal Requirements Memorandum* available at mf.freddiemac.com. To the extent there is any conflict between the *Additional Appraisal Requirements Memorandum* and the requirements of this chapter, the provisions of the *Additional Appraisal Requirements Memorandum* govern.

b. Purpose of Appraisal (04/18/24)

Appraisals must estimate the as-is leased fee market value of the Property ("leased fee" as defined in the current edition of *The Appraisal of Real Estate*, published by the Appraisal Institute) as of the effective date of the Appraisal, subject to stated assumptions and limiting conditions. The as-is leasehold value of the Property (defined in *The Appraisal of Real Estate*) must be estimated if the ownership of the Property is subject to a ground lease. Although other valuation scenarios may be appropriate for a particular Appraisal, at minimum, all Appraisals must provide an as-is estimate of market value.

In addition, for transactions involving affordable housing Mortgages and Targeted Affordable Housing (TAH) Mortgages, Freddie Mac requires the additional values outlined in Section 60.24, items 5-8.

60.2 Appraiser Independence Requirements (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.



For purposes of these Appraiser Independence Requirements, the term “Independent Party” refers to the appraisal company, any entity or person related to the appraiser, appraisal company, or any other party that is part of the appraisal process.

For the purposes of these Appraiser Independence Requirements, the term “Conflicted Appraisal Parties” refers to:

- All members of the Seller/Servicer’s Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
- Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including but not limited to, mortgage brokers, loan production staff and real estate agents.

Seller/Servicer personnel involved in the underwriting, credit risk management or closing of the Mortgage who are not under the supervision of production or loan origination staff are not considered Conflicted Appraisal Parties.

For purposes of this chapter, any reference to Independent Parties or Conflicted Appraisal Parties will be deemed to include any Freddie Mac employee or contractor.

a. General requirements (04/18/24)

No person is allowed to influence or attempt to influence the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:

1. Withholding or threatening to withhold timely full or partial payment to an Independent Party;
2. Withholding or threatening to withhold future business from or demoting or terminating or threatening to demote or terminate an Independent Party;
3. Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;
4. Conditioning the ordering of an Appraisal or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;
5. Requesting from or providing to an Independent Party any of the following:
 - Comparable sales prior to engaging the Independent Party to perform an Appraisal;
 - An anticipated, estimated, encouraged, or desired value or value range for the Property, with the exception that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an Appraisal;
 - An anticipated, estimated, encouraged, or desired targeted loan ratio (i.e., debt coverage ratio, loan to value, etc.), expense conclusions or income conclusions;



6. Providing stock or other financial or non-financial benefits to an Independent Party or any entity or person related to the Independent Party;
7. Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform Appraisals for specific loan production staff, loan officer or mortgage broker, except as otherwise provided in subsection b.5 below;
8. Directing an Independent Party to perform an Appraisal using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or
9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, impartiality or compliance with any law or regulation, including, but not limited to, the Truth-in-Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

b. Independent Party engagement (06/13/24)

Sections 60.2(b)1, 2, 3 and 5 below may be implemented immediately but are only required for loans taken under Seller Application as of **September 2, 2024**.

1. The Seller/Servicer must separate its sales and Mortgage origination functions from its appraisal functions. An agent or employee of the Seller/Servicer involved in the Seller/Servicer's sales or Mortgage origination function must not be involved in the operations of the Seller/Servicer's appraisal functions.

If absolute lines of independence between the Seller/Servicer's appraisal functions and its Mortgage origination process cannot be achieved due to staffing limitations, the Seller/Servicer must clearly demonstrate within its written policies that it has prudent safeguards in place to isolate its appraisal functions from influence or interference by its Mortgage origination process.

2. Conflicted Appraisal Parties are prohibited from:
 - Ordering, managing, or defining the scope of work for an Appraisal;
 - Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular Appraisal or for inclusion on a list or panel of appraisers approved or forbidden to perform Appraisals for the Seller/Servicer; or
 - Having any substantive communications with an appraiser relating to or having an impact on valuation

Notwithstanding the foregoing, any party, including any Conflicted Appraisal Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.



3. Any person involved in substantive Appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must be appropriately trained and qualified in Appraisals.
4. The Seller/Servicer or any third-party specifically authorized by the Seller/Servicer (including, but not limited to, appraisal companies and correspondent lenders) will be responsible for selecting, retaining and providing for payment of all compensation to the appraiser. The Seller/Servicer must not accept any Appraisal completed by an appraiser selected, retained, or compensated in any manner by the Borrower or any other third party (including mortgage brokers, loan production staff and real estate agents) unless specifically permitted by the Freddie Mac loan documents. For the sake of clarity, the foregoing does not prohibit the Borrower from reimbursing the Seller/Servicer for the cost of the Appraisal, or for paying for the cost of the Appraisal at closing if such payment is shown on the settlement statement.
5. The Seller/Servicer may maintain lists of approved Independent Parties only if:
 - The Seller/Servicer has in place a written policy that requires such lists for bona fide administrative or quality control purposes; and
 - Any employee or vendor of the Seller/Servicer involved in the selection of Independent Parties for such lists must be wholly independent of the Seller/Servicer's Mortgage origination staff and process and of the appraiser and the Independent Parties.

c. Reporting Appraisal misconduct (06/13/24)

Section 60.2(c)2 below may be implemented immediately but is only required for loans taken under Seller Application as of **September 2, 2024**.

1. If the Seller/Servicer has a reasonable basis to believe an Independent Party is violating State licensing requirements, applicable laws or is otherwise engaging in unethical conduct, the Seller/Servicer must promptly refer the matter to Freddie Mac and the applicable State appraiser certifying and licensing agency or other regulatory body.
2. The Seller/Servicers engagement for Appraisals with Independent Parties must provide a notice that if the Independent Party has a reasonable basis to believe a Conflicted Appraisal Party or Seller/Servicer is violating Appraiser Independence Requirements, the Independent Party must promptly refer the matter to either the Freddie Mac *Investigation Unit* or the *Multifamily Appraisals* team.

d. Compliance; Policies (06/13/24)

This Section 60.2(d) may be implemented immediately but is only required for loans taken under Seller Application as of **September 2, 2024**.

The Seller/Servicer must adopt written policies, procedures and disciplinary rules and implement adequate training programs to ensure compliance with these Appraiser Independence Requirements. Additionally, the Seller/Servicer must ensure that any third parties involved in the appraisal functions including, but not limited to, appraisal management



companies or correspondent lenders, involved in the origination of a mortgage or the sale and delivery of a Mortgage to Freddie Mac are also in compliance with these Appraiser Independence Requirements.

60.3 Market value definition (09/28/18)

Appraisers must use the definition of market value set forth below, which conforms to the definition of market value adopted in the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraisal must be completed in accordance with the definition below, as defined within the Financial Institutions Reform, Recovery, and Enforcement Act (“FIRREA”) of 1989:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

60.4 Appraisers (09/28/18)

Freddie Mac does not select or approve specific appraisers for Freddie Mac's Multifamily programs or products. The Seller/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/Service (or other entity),
- State that there is no conflict of interest between these firms, and
- State that there are no fees, payments or compensation between the firms other than that disclosed in the engagement letter between the appraiser and the Seller/Service (or other entity), or, if there is compensation in addition to the appraisal fee, provide a description of those fees, payments or compensation

The disclosure from the Seller/Service must be included with the Appraisal as an attachment in the Addenda or following the report's Letter of Transmittal. The disclosure from the appraiser must also be included

- As a statement in the Letter of Transmittal of the Appraisal, and
- In the appraiser's Certification, as required by the Uniform Standards of Professional Appraisal Practice (USPAP).

a. Appraiser qualifications (09/28/18)

For Appraisals submitted for Small Balance Loan (SBL) program Properties, at least one of the appraisers signing the Appraisal must meet all of the requirements outlined in 1-10 below. For all other Properties, each appraiser signing the Appraisal must meet the requirements outlined in 1-10 below.

1. Be a certified general appraiser under the appraiser certification requirements of the State in which the Property is located (or a certified appraiser if that State does not confer the designation of certified general appraiser)
2. Appear on the State roster in good standing under the requirements of Title XI of FIRREA

For all programs and products, if the Appraisal Subcommittee of the Federal Financial Institutions Examination Council has disapproved the licensing and certification requirements of the State in which the Property is located, pursuant to Title XI of FIRREA, the Seller/Service must contact the *Applicable Freddie Mac Multifamily Regional Office* for instructions. The TAH Seller/Service must contact the *Multifamily TAH Underwriter*.

3. Be actively and regularly engaged in the appraisal of multifamily properties
4. Have at least three consecutive years of income property appraisal experience
5. Have completed at least two multifamily Appraisals in the past year in the geographic market area where the Property is located
6. Be knowledgeable concerning current real estate market conditions and financing trends in the geographic market area where the Property is located



7. Be experienced in appraising multifamily properties with complexity and characteristics similar to those of the Property (such as the number of units and type of property—garden, mid-rise, high-rise, etc.)
8. Have a working knowledge of construction costs, materials, methods and standards in the geographic market area where the Property is located
9. Have a strong educational background in appraising income properties

Appraisers must have completed successfully several courses relating to income properties. These courses must have been completed through a nationally recognized appraisal organization or accredited college or university.

10. Have insurance meeting the requirements of Section 11.5.

b. Conditions for an appraisal trainee to co-sign (06/30/15)

An appraisal trainee may co-sign an Appraisal if the appraisal trainee is currently registered as an appraisal trainee in the State in which the Property is located and the Appraisal clearly and prominently:

- States that the appraisal trainee is an appraisal trainee or equivalent job title,
- Identifies the appraisal trainee's trainee license or certification identification number in the Appraisal, preferably in the Letter of Transmittal and in the Certification, and
- States, in the Letter of Transmittal, the appraisal trainee's specific role in the appraisal project and describes in which parts of the appraisal process the trainee had a contribution and the extent of that contribution. The statement must specifically address whether or not the trainee inspected the Property.

All appraisers that sign the Certification in the Appraisal must take professional responsibility for the appraisal trainee's content, conclusions, and discussions within the Appraisal.

c. Unacceptable appraisers (07/01/14)

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Servicer, for cause, discontinues the use of any appraiser who has completed Appraisals within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. A TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept Appraisals completed by any specific appraiser. Freddie Mac will maintain, at mf.freddie.com, the Multifamily Restricted Vendor List. If an appraiser appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that appraiser for Multifamily Mortgages offered to Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.



The Multifamily Restricted Vendor List is made available to Seller/Service providers for the sole purpose of ensuring that unacceptable appraisers do not prepare Appraisals for Multifamily and will constitute “Confidential Information” as defined in Section 2.8.

d. Representations to third parties by appraisers and appraisal services (09/08/04)

Appraisers and appraisal services may not represent themselves to third parties as being Freddie Mac-approved appraisers or appraisal services.

60.5 Appraiser certification and signatures (06/16/22)

a. Certification (06/16/22)

The appraiser must attach all of the following to the Appraisal:

- All assumptions and limiting conditions
- A certification that states that the report complies with the requirements of the USPAP, promulgated by the Appraisal Standards Board of the Appraisal Foundation, that are in effect at the time of certification, including USPAP’s requirements that the Appraisal was conducted in compliance with all relevant laws, including the Fair Housing Act and Equal Credit Opportunity Act
- A certification that states that the Appraisal complies with the current version of the FIRREA of 1989, including its Title XI regulations

b. Signing the Appraisal (10/14/16)

For all Properties, at least one of the persons signing the Appraisal must meet all of the following requirements:

- Comply with all of the requirements in this chapter including being a Certified General Appraiser in the State in which the Property is located (or that State’s equivalent licensing classification that also meets Freddie Mac’s minimum appraiser experience requirements)
- Inspect the Property (except for the appraisal trainee co-signer)
- Accept full responsibility for the contents, analyses and conclusions of the Appraisal

With the exception of appraisal trainees, each person signing the appraisal report and/or the Appraisal’s Certification must be a General Certified Appraiser in the State in which the Property is located and, by signing the Appraisal, accepts full responsibility for the contents, analyses and conclusions of the Appraisal.

Refer to Section 60.4(b) for requirements regarding the co-signing of an Appraisal by an appraisal trainee.



60.6 Information provided to appraiser by the Seller/Servicer (09/30/20)

To reduce the need for administrative revisions to the Appraisal following submission of the Appraisal to Freddie Mac for non-valuation related property identification or classification issues, the Seller/Servicer must provide the appraiser with accurate Property identification prior to submission of the Appraisal to Freddie Mac, including:

- Specific requirements for the loan program for which the appraisal will be used (i.e., Small Balance Loans, Seniors Housing, Students Housing, Green Up, Mod Rehab, Conventional, etc.)
- For appraisals in the Small Balance Loans (SBL) program, the Seller/Servicer must ensure that the appraiser complies with the page limit described in Section 60.11
- Current property ownership
- Property address
- Property zip code
- Complete legal description (see Section 29.3)
- Accounting of the Property's unit inventory, including management's use of units for offices, model units, down/off-line units and commercial space

The Seller/Servicer must provide the appraiser with the following additional information on the Property:

1. Survey, if available (see Section 29.5)
2. Rent roll dated within 30 days of the appraisal inspection date, certified by the Borrower as accurate and correct, and containing, at a minimum:
 - Unit number
 - Unit type, name, or description and/or unit design (i.e., 2BR/1BA, 1BR/1BA/Den, commercial)
 - Unit size in square feet
 - Lease commencement date
 - Contract rent
 - Concessions, if any
 - Additional fees or charges (i.e., pet fees and garage fees)



3. Income and Expense Statements for the previous three calendar or fiscal years, as applicable, certified by the Borrower as complete and accurate
4. Year-to-date Income and Expense Statement, certified by the Borrower as complete and accurate
5. Copies of executed commercial leases, amendments and attachments, if applicable
6. Property condition report as soon as available but prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the property condition report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

7. Environmental report as soon as available but prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the environmental report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

8. Copy of ground leases, if applicable
9. Copy of current sales contracts, if applicable
10. Final architectural plans and specifications, if the Property is to be built
11. Copies of shared access agreements or easements
12. Regulatory agreements such as HAP contracts or other agreements that might affect the Property's rents or expenses
13. For SBL Properties, evidence of capital expenditures or construction costs as described in Section 55SBL.2
14. Any other information that the Seller/Service knows may affect the value of the Property

60.7 Seller/Service supervision of appraisers (09/28/18)

The Seller/Service must evaluate and select appraisers based on qualifications and quality of the appraisal product. The Seller/Service must collect information and documentation from appraisers and applicable regulatory authorities to ensure that each appraiser completing



Appraisals for multifamily Mortgages offered to Freddie Mac complies with the requirements set forth in this chapter.

Each file must contain sufficient information to document and demonstrate that the appraiser meets the qualification requirements in Section 60.4(a), including:

1. The appraiser's resume
2. Letters of reference from current and/or past clients
3. Documentation showing that the appraiser possesses the certified general classification or certified classification in good standing in accordance with applicable State law
4. Copies of Appraisal sample(s) if appropriate under the ethics provision of USPAP
5. An original certificate(s) of liability insurance meeting the requirements of Section 11.5

Each file must document that the appraiser complies with the requirements of this chapter and that the Seller/Servicever verified the experience information provided by the appraiser to the Seller/Servicever.

The Seller/Servicever must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Servicever identifies a problem area, the Seller/Servicever must take appropriate action to correct the problem. The Seller/Servicever must keep written records of any activity under this internal control system and provide them to Freddie Mac upon request.

60.8 Non-Discrimination (12/14/23)

The appraiser must describe the Property and the neighborhood in factual, unbiased and specific terms. The appraiser may not consider any information about the geographic area, neighborhood, occupants, owners or prospective owners of the Property that involves the following prohibited factors ("Prohibited Factors"):

- Race
- Color
- Religion
- National origin
- Sex, sexual orientation, and gender identity
- Marital status
- Age
- Receipt of income derived from any public assistance program



- Exercise of any federally protected civil right
- Familial status
- Disability

As a matter of corporate policy, Freddie Mac reserves the right to reject any Mortgage supported by an Appraisal that makes reference to Prohibited Factors or incorporates subjective terminology or veiled language that may indicate underlying bias or discrimination.

60.9 Effective date of Appraisal (04/18/24)

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

The effective date of the most current Appraisal must be within six months before the date on which the Mortgage's full underwriting package is delivered to Freddie Mac. The Seller/Servicer also must submit all other Appraisals completed on the Property in the past three years, if available to the Seller/Servicer and appropriate under the ethics provision of USPAP. See also Section 60.10.

60.10 Updated Appraisals (09/28/18)

If Freddie Mac receives an Appraisal with an effective date that is more than six months before the date on which the full underwriting package is delivered to Freddie Mac, the Seller/Servicer must obtain an updated Appraisal from the appraiser. For the updated Appraisal, the appraiser must, at minimum:

- Reinspect the Property,
- Resurvey the rental comparables, and
- Review the market for any additional sales comparables or changes in capitalization rates

The documentation that provides the updated Appraisal must clearly indicate the steps that the appraiser performed for the updated Appraisal and discuss the changes, if any, between the original Appraisal and the updated Appraisal.

A letter or abbreviated report such as the Restricted Report from the appraiser stating general conclusions (for example, that the value of the Property has not decreased since the original Appraisal) is not acceptable.

In addition to these requirements, the report must comply with the requirements and advice provided in USPAP for an update of a prior Appraisal.



60.11 Appraisal form (06/27/19)

Freddie Mac expects that the Appraisal will be in a narrative format written to comply with the Appraisal development and report content requirements of the USPAP.

Appraisals submitted to Freddie Mac for loan origination in the Small Balance Loan (SBL) program must be 50 pages or less. Addenda to these Appraisals are not included in the 50-page count.

Effective with underwriting packages delivered to Freddie Mac on or after August 1, 2019, appraisals submitted to Freddie Mac for loan origination in the Targeted Affordable Housing Express (TAHX) program and with an appraisal effective date of value on or after August 1, 2019 must be 75 pages or less. Addenda to these appraisal reports are not included in the 75-page count.

The page count for SBL and TAHX Appraisals begins with the Title Page of the report and ends with the page prior to the Addenda of the appraisal report.

Addenda material can include:

- Insurable value
- Assumptions and Limiting Conditions
- Appraiser's Certification / Signature
- Subject Photos
- Comparable sales outlines
- Comparable rental outlines
- Rent roll
- Historical financials
- Floor plans
- Site plans / Plat / Survey
- Qualifications of the appraiser and state Certification certificate
- Engagement letter

The Seller/Servicer may contract with the appraiser for an SBL Appraisal that is exempt from the 50-page length limitation or for a TAHX Appraisal that is exempt from the 75-page length limitation under limited circumstances, such as when:

- The Property is located in a tertiary market which requires additional discussion by the appraiser



- The Property has substantial repairs that need to be evaluated and discussed by the appraiser
- There are environmental issues reported by the third-party consultant that need to be evaluated and discussed by the appraiser

If the page-length limit is exceeded, Form 6011, Waiver of the Page Limit for SBL and TAHX Appraisals, executed by Seller/Service's Chief Underwriter or Deputy Chief Underwriter, must be submitted with the Appraisal in the underwriting package. The Seller/Service must also upload the completed Form to the Third-Party Report section of Freddie Mac's Document Management System (DMS).

Regardless of the report format, the appraiser must comply with all applicable Freddie Mac, federal, and State appraisal development and reporting requirements.

60.12 Appraisals (04/18/24)

When the Seller/Service delivers an Appraisal to Freddie Mac, the Seller/Service is deemed to make the warranties regarding the Appraisal set forth in Section 5.4. The Seller/Service must review each Appraisal in detail for its completeness, accuracy, appraising logic and adherence to the requirements of this chapter. The Seller/Service must ensure that the Appraisal submitted to Freddie Mac incorporates corrections and/or resolution of any material errors or omissions found during the Seller/Service's review of the Appraisal. If required by Freddie Mac, the Seller/Service 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/Service 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/Service, Freddie Mac and any successors and assigns ("Lender");
- b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;



- c) governmental agencies having regulatory authority over Lender;
- d) designated persons pursuant to an order or legal process of any court or governmental agency;
- e) prospective purchasers of the Mortgage; and
- f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency; and
 - any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

The appraiser must perform the functions stated in this section and in Sections 60.13 through 60.19 to ensure the completeness of each Appraisal.

a. Completeness (06/16/22)

The Appraisal must adequately describe the geographic area, neighborhood, rental competition, sales comparables, site and improvements. Generally, regardless of report format, the Appraisal must demonstrate a market value supported by the reconciliation of the three recognized approaches to value: Income Approach, Sales Comparison Approach, and Cost Approach.

For appraisals submitted to Freddie Mac for loan origination in the Small Balance Loan (SBL) program, if the Property is more than five years old, the appraiser must include both the Income Approach and Sales Comparison Approach. However, Freddie Mac will not require a Cost Approach or a separate analysis of land value.

For all other Properties, the appraiser must thoroughly explain and support the exclusion of any of the three approaches to value.



If the Property is not operating at stabilized operations, appropriate consideration must be given in each of the approaches to value.

The appraiser must consider, analyze and report all information that appropriately and lawfully influences value even if not specifically requested by the Seller/Servicer or, Freddie Mac.

b. Inspection (04/18/24)

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

At least one appraiser signing the report must have made both an interior and exterior inspection of the Property. The interior inspection must include interior common areas, community amenities, a sample of unit interiors and commercial suites. In addition to exterior inspections of residential units, the exterior inspection must also include any accessible areas that are subject to nonresidential leases as defined in Section 8.11(a) and Section 8SBL.11(a).

Since the Seller/Servicer's delivery of the property condition report and environmental report to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13 for a description of these circumstances), it is important that the appraiser's inspection of the Property be sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the Appraisal's discussion, analyses, and valuation conclusion.

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

- A minimum of two units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 5 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

2. For Properties with 25 to 50 units, the appraiser must inspect:

- A minimum of three units
- All vacant units to determine their state of readiness for occupancy



- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than five residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

3. For Properties with more than 50 units, the appraiser must inspect:

- A minimum of five units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- At least one unit of each unit type and comment on the marketability of each unit type's floor plan, design, layout, amenities, and level of finish
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 15 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

4. The Appraisal must identify the specific units inspected and into which category each unit falls.
5. For SBL Properties, the appraiser must inspect the improvements (if able to be visually inspected) and report if they are generally aligned with evidence of capital expenditures or construction provided by the Seller.
6. The appraiser must report any physical condition concerns with the Property's land or improvements observed during the appraiser's inspection of the Property or known to the appraiser.
7. The appraiser must report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.



8. It is not acceptable for the appraiser to merely state that the appraiser did not notice any physical and/or environmental issues during their inspection; the appraiser must discuss the extent of the appraiser's inspection for these issues.
9. Appraisers must report the extent of their due diligence and describe their environmental observations, analysis and conclusions in the Appraisal. It is not acceptable for the appraiser to only state that the appraiser is not qualified to detect environmental issues and thus has made no observations during their physical inspection of the Property.

c. Tax information (07/01/14)

The appraiser must consider, analyze and report property tax and assessment requirements of the jurisdiction where the Property is located. The appraiser must verify that the Property has been fully or partially assessed and provide the most recent assessment date and the next scheduled assessment date of the Property. The appraiser must consider, analyze, adequately support and report any effect on value due to future scheduled assessments, property tax abatements or other property tax benefits.

Property tax comparables must be part of the discussion of the Property's appropriate level of tax liability. The appraiser should identify the taxing jurisdiction of each of the property tax comparables and include in the discussion any differences in valuation methodology, tax rates, and/or reassessment schedules between these and the Property's taxing jurisdiction.

The risk of the Property's reassessment must be considered and appropriately analyzed and reported. Any adjustment to the capitalization rate must have adequate support and discussion.

d. Sales and other concessions (09/28/18)

- 1) The Seller/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 loan transaction process. For expediency, the report can be delivered to the appraiser in draft form, as long as the appraiser notes in the Appraisal report that it was provided with a draft property condition report. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address a Property condition issue, the appraiser must still consider that issue's effect on market value since the availability of cash to the Property owner for repairs or renovations should not affect the Property's market value.

If provided with a third-party property condition report, the appraiser must:

- Identify the engineering/consulting firm that prepared the property condition report, the effective date of the report, and whether it was a final version or a draft
- Report the conclusions and recommendations of the property condition report
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factor(s) and incorporate them into the value of the Property
- Use the property condition report as the starting point for its estimate of Replacement Reserve deposits unless the appraiser otherwise documents and discusses an alternative reserve figure in the Appraisal

If not provided with a third-party property condition report, the appraiser must do all of the following:

- Apply the observations regarding Property condition or obsolescence from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factors and incorporate them into the value of the Property
- Base its estimate of Replacement Reserves on specific market evidence or other substantive basis



In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the effect or non-effect on value of an identified physical condition issue. If there is an issue identified in the property condition report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser needs to discuss why the appraiser has drawn that conclusion.

f. Zoning and other legal issues (06/25/20)

1. For all Mortgages, the appraiser must consider, support, and discuss how zoning and other legal issues (including shared access agreements, easements, and compliance with local rent control statutes) affect the value of the Property.

The appraiser must, reference the authoritative zoning source in the Appraisal, comparing the Property to competing properties, and addressing at a minimum:

- Parking ratio compliance
 - Density compliance
 - Rebuildability restrictions in the event of substantial damage or casualty loss to the Property
2. If a Mortgage meets either of the following conditions, a third-party zoning consulting report might not be part of the underwriting package, so it is important that the Freddie Mac underwriter and the appraiser have pertinent information regarding the Property's compliance with local zoning regulations and other legal considerations on the Property and the effect these regulations or issues have on the Property's market value:
 - The Mortgage
 - Is a non-SBL Mortgage with an initial principal balance of \$20 million or less, or is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate, and
 - Is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage.

Furthermore, if the Mortgage meets any of the above conditions, the appraiser must include an opinion as to the legality of the zoning of the Property. The Property is either:

- Legal
- Legally non-conforming
- Illegal
- Other, with explanation

The preferred method is for the appraiser to provide a quote or reference from an appropriate local zoning office official or employee as to the concluded zoning status (i.e., "Ms. Johnson, XYZ County Zoning employee stated in an email on XYZ date that the subject property is legally non-conforming..."). Without such a quote or reference, the



appraiser must provide its professional opinion as to the legality of the zoning of the Property, (i.e., “Based on the subject’s actual use, its developed density, parking ratio, (and whatever else that might be appropriate), it appears that the subject property is legally non-conforming.”)

The appraiser cannot merely state that they are not experts in this field or that the client should consult a legal expert. Freddie Mac is requiring that the appraiser use its professional expertise to either consult the appropriate local governmental authority or to render a professional opinion on the legality of the zoning of the Property although it is acceptable for the appraiser to provide a disclaimer around its professional opinion.

The following chart, or a similarly constructed chart containing this information, must be completed for and included in each Appraisal for which a zoning report is not submitted:

General Zoning Information			
Property Name			
Property Jurisdiction			
Existing Zoning Classification			
Date of Existing Zoning Ordinance			
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)			
Category	Actual	Required	Conforming Status
Current use			
Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
Additional Zoning Compliance Information (if a survey or other materials are available):			
Minimum Lot Width/Frontage			
Maximum Height			
Setbacks:			
Front/Street			
Side			
Rear			
Landscape buffers			
Appraiser’s Conclusion on Conformity:			



Other information pertinent to the Property's zoning classification:	
Reconstruction clause, including rebuildability threshold:	

If the Property is legally non-conforming or illegal, the appraiser must discuss whether the subject can be rebuilt to its current configuration and, if not, analyze the effect on market value in the Sales Comparison Approach, the Cost Approach, and in the Income Approach. If the Property is not subject to a rebuildability requirement, the appraiser must state so.

60.13 Environmental reports (12/14/23)

The appraiser must consider how the results of the environmental report or the appraiser's observations during the property inspection affect the value of the Property.

If there are issues identified by the environmental consultant that could materially affect the value of the Property, then prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac, the Seller/Service must provide the appraiser with the environmental report ordered by the Seller/Service as part of the loan transaction process and any other environmental reports on the Property retained by the Seller/Service. For expediency, the environmental report can be delivered to the appraiser in draft form, as long as the appraiser notes in the appraisal report that the appraiser was provided with a draft. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address an environmental issue, the appraiser must still consider that issue's effect on market value. The availability of cash to the Property owner to correct an environmental issue should not affect the Property's market value.

If provided with a third-party environmental report, the appraiser must:

- Identify the environmental consulting firm that prepared the report and the effective date of the report, and whether it was a final version or draft
- Report the conclusions and recommendations of the environmental report
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property
- Report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.



- Analyze and discuss how the identified environmental conditions affect the value and marketability of the Property based on market data relating to increased risk and uncertainty, environmental stigma, reduced occupancy and rent levels, limitations on property use, cost of remediation, and any other relevant characteristics or environmental risk factors.

If not provided with a third-party environmental report, the appraiser must do all of the following:

- Apply the observations regarding environmental issues from the appraiser’s property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the impact or non-impact on value of an identified environmental issue. If there is an issue identified in the environmental report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser must discuss why it has drawn that conclusion.

60.14 Valuation methodology (04/18/24)

Since the Appraisal must, at minimum, estimate the as-is leased fee market value of the Property, appropriate adjustments are required to any analysis of fee simple data within the Appraisal. Examples include:

- Capitalization rates extracted from comparable sales must be consistently applied to the Property based upon actual or pro forma income. When appropriate, an adjustment must be made to reflect the Property’s leased fee ownership interests being appraised.
- The traditional Cost Approach is typically developed as a fee simple value; as such, the methodology must be appropriately adjusted to reflect the Property’s leased fee ownership interest.
- An analysis with 100 percent market rents, without consideration of the Property’s actual in-place rents, is not a leased fee value estimate [see Section 60.14(c)].

a. Cost approach (07/01/14)

If developed, the cost approach conclusion must reflect the leased fee ownership interest in the Property (or leasehold interest if the Property is subject to a ground lease), and the appraiser must include proper adjustments for any items adverse to the Property’s marketability, such as deferred maintenance, physical deterioration and functional and economic obsolescence. The Appraiser must specifically describe the estimates of accrued depreciation and entrepreneurial profit. The estimated land value must indicate the market value of the land, recognizing its highest and best use.

If the cost approach is omitted in the Appraisal, the appraiser must adequately provide a Property-specific explanation for its omission. Generic statements such as “investors typically do not consider the cost approach when they purchase this type of property” or “there is difficulty estimating depreciation due to current market conditions” are not acceptable and miss the point of the benefits of a cost approach analysis.



If the appraiser uses cost comparables as part of the estimate of replacement cost, it must include sufficient descriptions including, where appropriate, a photograph of the comparable properties to allow the reader of the Appraisal to adequately understand the construction similarities between those comparables and the Property.

b. Sales comparison approach (04/18/24)

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

The appraiser must support the value indicated by the sales comparison approach by analyzing the sales of at least four comparable properties.

The appraiser may use the Property as a comparable sale as long as the appraiser provides four additional comparables to the Property.

The sales comparables must be physically and locationally similar to the Property and must have been sold recently. The appraiser must make proper adjustments, when necessary, to the sales comparables for such items as real property rights conveyed, financing terms, conditions of sale, date of sale, location, physical characteristics and amenities. The appraiser must adequately explain those adjustments.

If there is an absence of recent comparable improved sales, the appraiser must consider that absence in estimating the market value. Current contracts and competitive property listings can be helpful to round out the appraiser's analysis if they are indicative of the state of the current market. The weight given to a contract or listing might be different from the weight given to the actual sales transactions, and the appraiser must discuss these differences in the Appraisal.

For each comparable used, the appraiser must identify the primary data source(s) used to verify comparable sales data, for example, whether the comparable property's financial and transaction information was gathered as part of the site visit or obtained from an earlier written appraisal by the appraiser's firm, a sales brochure, an individual associated with the sale, or a combination of sources. If the appraiser obtained the comparable property's information from an individual, the appraiser must identify the name, company and title of the individual, if available.

The appraiser may use a multiplier, either a potential gross rent multiplier or an effective gross income multiplier if the multiplier is customarily used in the Property's market area. The appraiser must derive the multiplier from recent sales of comparable properties in the market area of the Property. The appraiser must properly analyze the multiplier based on the overall quality and reliability of the gross income the Property has produced or is reasonably expected to produce. If the appraiser develops a valuation from a multiplier analysis, it should be reported in the Income Approach (See Income Approach requirements in Section 60.14(c) for additional information.).

The appraiser must not apply an adjustment to the comparable sales for differential net operating income or develop a net income multiplier for the sales since these methodologies duplicate the techniques or value indicators used in direct capitalization in the Income



Approach. The Sales Comparison Approach must focus on similarities and differences that affect value, which may include variations in property rights, financing terms, market conditions, and physical characteristics and the causes of income variation, not just that net operating income of the comparable is different than the Property's (either on a per-unit basis or applying a net income multiplier). The appraiser must discuss and adjust for the causes of the differences in NOI, not just note that a difference exists.

The appraiser must refrain from adjusting the comparable properties' sale prices for expenses, costs, or renovation that are to be incurred by the buyer after the date of the sale transaction since these costs and expenditures are not typically part of the transaction/consideration price for the property.

c. Income approach (04/18/22)

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

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

1. The forecasted gross income must consider historical rents of the Property, current rents of the Property and rents currently obtained from comparable units (similar in amenities, location, size, type, style and quality) adjusted for market concessions, rent abatements, discounts and the like. The influence and limitations of rent control, rental concessions, historical trends and other relevant factors must be reviewed and analyzed relative to the forecasted gross income of the Property.

The appraiser must analyze and discuss the difference, if any, between the Property's actual recent contract rents and the appraiser's estimate of the Property's market rents, and their impact on the leased fee value of the Property. If the appraiser's estimate of market rent is dissimilar to the recent leasing at the Property, the appraiser must provide an adequate discussion and explanation of the variance.

2. The estimated vacancy and collection loss must consider historical data of the Property, current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.
3. The forecasted expenses and Replacement Reserves must be comparable with the historical data of the Property and comparable with known and verified expenses in the market area, measured, at a minimum, on a per-unit basis and as a percentage of effective gross income. The identification of the expense comparables must include, at minimum, the comparable property's number of units, the age of the Property (year built and/or renovated), its physical condition, its location and the time period indicated by the expenses. The forecasted expenses and Replacement Reserves must consider future changes in expense or reserve levels.
4. The Capitalization Rate must be based on factors reflecting the investment characteristics of typically knowledgeable investors for properties similar to the Property.



The appraiser must develop the Capitalization Rate using each of the following techniques, if practicable:

- Extraction from comparable sales with analysis of the comparables' variations, if any, from the Property's economic and physical characteristics. Capitalization rates extracted by pro forma income or with actual income must be reconciled consistently with the appraiser's estimate of the Property's income.
- Published sources (preferably more than one published data source, and preferably a source that focuses on the Property's local market, not general national data).
- Personal surveys and interviews with market participants, with date of survey and names/titles of the individuals surveyed.
- Band of Investment model (also known as mortgage equity technique) with specific reference to the sources of the financial data assumptions.
- Debt coverage ratio model - with specific reference to the sources of the financial data assumptions.
- For Appraisals submitted to Freddie Mac for loan origination in the Small Balance Loan (SBL) program, the capitalization rate must be supported with comparable sales and with the appraiser's survey/interviews of local real estate participants for knowledge of the Property's submarket and investment considerations. These surveys and/or interviews should be documented with the date of survey (month/year is sufficient) and if not confidential, the name, title, and company of the individual surveyed or interviewed. If these items are confidential, the appraiser must provide a description of the position or background of the individual in the Appraisal report.

Development of capitalization rates from Ackerson or Ellwood methodologies is not appropriate for Appraisals for Freddie Mac.

5. When a multiplier analysis is developed, the appraiser should adequately analyze and discuss the comparability of the comparable sales' multipliers in terms of expense ratios and expenses per unit. Additionally, comparability of operating expenses should be analyzed and discussed both with and without inclusion of real estate taxes since taxes may vary materially between the Property's taxing jurisdiction and that of the comparable sale. This variability may have a material effect on the observed multiplier and comparability with the Property.

The development of a multiplier analysis for the valuation of the Property does not exempt the appraiser from adequately analyzing and discussing the Property's operating expenses as required by Section 60.14(c)(3).

For Properties with more than 30 units, a multiplier analysis is not recommended; the appraiser should develop a direct capitalization approach.

A net operating income multiplier is not acceptable.



6. A discounted cash flow analysis (DCF) is typically redundant and not required in the development of the income approach for a multifamily property unless the Property is not functioning at stabilized operations and/or occupancy.
 - If developed, the cash flow period for the DCF must reflect the period necessary to achieve stabilized operations, unless local practice dictates otherwise, and may be developed with monthly, quarterly, or annual cash flows, depending on the time period of unstabilized property operations
 - In lieu of, or as a supplement to, a DCF analysis for an unstabilized property, the appraiser can consider the present value of lost revenue, operating expenses, and necessary repairs, renovations, alterations as adjustments to value
 - Key assumptions used to develop the DCF must be adequately discussed and supported in the Appraisal including rent and expense changes, discount rate, reversion capitalization rate, and absorption period
7. In the Income Approach, the value can be developed with either a gross income analysis or direct capitalization analysis; it is not a requirement to include both methodologies in an Appraisal report.

60.15 Area information (06/16/22)

The appraiser must report and accurately explain appropriate and lawful positive or negative factors about the Property's neighborhood, including all relevant adverse influences that affect the Property's market value.

The appraiser must

- Consider, analyze and report current and prospective regional economic trends, such as population, employment concentration and diversification, changes in supply and demand, and housing development
- Explain how regional economic trends affect appraised value

In describing the Property's market, the appraiser should emphasize the Property's neighborhood and submarket influences. Regional, State, and metropolitan market descriptions are not necessary for Appraisals submitted to Freddie Mac for loan origination in the Small Balance Loan (SBL) program and should be eliminated from these Appraisal reports unless there is a specific market influence on the Property that transcends the immediate neighborhood. In these instances, the appraiser should describe those larger influences with specificity, and inclusion of "boilerplate" market, metropolitan, or regional descriptions in the report is discouraged.

60.16 Rental competition (09/28/18)

The appraiser must identify the primary data source for each rental comparable, such as the name and telephone number of the contact person.

The appraiser must use at least four rental comparables. The appraiser must include current rental competition that affects the Property's economic performance, for each rental comparable.



The appraiser must identify and describe projects under construction, planned or proposed, that will likely affect the Property's economic performance.

60.17 Income and vacancy (09/08/04)

a. Market feasibility analysis (09/08/04)

The appraiser must include a market feasibility analysis if the Property is new construction or if the Property has recently undergone major rehabilitation. The market feasibility analysis can be included as a section of the Appraisal or it can be a separate report. The market feasibility analysis must

- Consider, analyze and report the Property's current rental competition and future rental competition, including a review of projects under construction, planned or proposed that may affect the Property's economic performance
- Explain the expected stability and longevity of the Property's current rent levels and occupancy
- Support forecasted rent levels and occupancy
- Analyze rental concessions and absorption rates

b. Vacancy (09/08/04)

If the appraiser forecasts a vacancy percentage that is higher or lower than the current vacancy percentage, the appraiser must adequately explain the reasons for the difference in the current vacancy and forecasted vacancy. One-line explanations, such as "the market is improving," "the property has updated units" or "the competition is becoming stronger," are unacceptable.

c. Rental factors (09/08/04)

The appraiser must consider, analyze and report rental concessions, rental discounts and rental abatements of the Property and market area and explain how these factors affect the Property's economic performance. If the appraiser does not know of any rental concessions, rental discounts or rental abatements, the appraiser must state this fact in the Appraisal.

The appraiser must consider, analyze and report any rent control or rent stabilization of the Property or market area and explain how these factors affect the Property's economic performance.

d. Seasonal and cyclical influences (09/08/04)

The appraiser must consider, analyze and report seasonal and cyclical influences that may affect annual rental income and occupancy of the Property.



e. Income (09/08/04)

The appraiser may include income from sources other than residential units when calculating total gross income if such income is supported by at least three years' historical operations, is common in the market and is expected to continue in the future. Such other sources include commercial space, laundry, parking, cable television, vending and application fees.

60.18 Improvements (09/30/20)

The appraiser must report and explain any building, health and fire code violations at the Property that are known to the appraiser and explain how the code violations affect appraised value. If the appraiser does not know of any known violations, the appraiser must state so in the Appraisal.

The appraiser must report and explain any deferred maintenance known to the appraiser at the Property and explain how the deferred maintenance affects appraised value.

If the Appraisal is subject to the completion of repairs or replacements, the appraiser must report the appraised value before required repairs are completed ("as is" value) and report the appraised value after the required repairs are completed ("as completed") value. The appraiser must estimate the cost to complete the needed repairs.

If the Appraisal indicates the presence of any defects or conditions with respect to the Property, such as dampness, infestation or abnormal settlement, the appraiser must describe the effects of these deficiencies on the appraised value and marketability of the Property.

For SBL Properties, the appraiser must review any information provided by the Seller regarding major past renovations or construction and identify any effect on the appraised value and marketability of the Property.

The appraiser must:

- Estimate the cost to complete the required repairs and any accompanying entrepreneurial profit, if applicable, and
- Estimate the prospective date that repairs are to be completed, and
- Analyze and describe any prospective vacancy issues resulting from the repair process, and
- Estimate the prospective date that lease-up due to repairs is estimated to be completed, and
- Adequately describe, analyze, and discuss the effect of the repairs on market value

The appraiser may rely on the data, discussion, and conclusions of the property condition report and the environmental report in analyzing and reporting on the property's improvements.

60.19 Commercial space and other nonresidential leases (02/17/22)

For Appraisals of Properties containing commercial space and other nonresidential leases as defined in Section 8.11(a) or Section 8SBL11(a), the appraiser must include a rental analysis containing at least three comparable rentals for each type of tenant.



For each comparable commercial and other nonresidential lease, the appraiser must provide:

1. Name of the tenant
2. Type of business
3. Address or unit number(s)
4. Leased square feet
5. Annual prospective contractual rent for each of the next three years
6. Concessions (if any)
7. Lease commencement date
8. Length of lease
9. Renewal option, if any
10. Any other material lease terms

Property lease abstracts must contain, at a minimum, the following basic data, as applicable:

1. Term
2. Lease commencement date
3. Lease expiration date
4. Exact name of tenant
5. Type of business
6. Base square footage
7. Core or conversion factors
8. Calculation of gross rent
9. Calculation of percentage rent
10. Calculation of expenses
11. Expense stop
12. Reimbursement of expenses
13. Option to purchase clause



For Appraisals submitted to Freddie Mac for loan origination in the Small Balance Loan (SBL) program, the depth and detail of information required in this section may not be available to the appraiser. In these instances, the appraiser must use its best efforts to comply with the intent and scope of this section. If the appraiser varies from the requirements of this section, there must be an explanation of the variance in the Appraisal Report.

For all Properties that contain commercial space, the appraiser must segregate rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to commercial rental space from rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to residential rental space. If the appraiser is unable to segregate commercial space and residential rental space, the appraiser must explain why the space cannot be segregated. Separate values for the commercial space and residential space are not required but must be provided if the commercial space can be marketed and sold separately from the residential space.

The appraiser must provide data that support the appraiser's estimate of the property's commercial vacancy rate, a discussion of tenant rollover risk, and cost of tenant improvements to re-lease the space.

60.20 Attachments to the Appraisal (09/28/18)

The appraiser must attach the following, if applicable, to the Appraisal:

1. A copy of any current sales contracts, option contracts, contracts for deed or listings of the Property
2. A legible, certified current rent roll provided to the appraiser by the Seller/Service, legible Income and Expense Statements for the past three calendar or fiscal years (as applicable), if available, and legible year-to-date Income and Expense Statements for the Property, all dated within 30 days before the Appraisal
3. Color photographs of the Property's exterior, interior common areas, typical unit interiors, surrounding area, rental comparables, sales comparables and commercial rental comparables. The date and source of each photograph (i.e., the appraiser's original photograph, photocopied from the internet, and photo scanned from a marketing brochure) must be clearly identified in the Appraisal.
 - Unless otherwise identified within the Appraisal, the photographs of the sales comparables must be reflective of the property at the time of sale.
 - Unless otherwise identified within the Appraisal, the photographs of the Property must be reflective of the Property as of the effective date of the appraisal value.
4. Maps showing the location of the Property relative to the location of the land comparables, current rental comparables, future rental comparables and sales comparables
5. If the Property contains commercial space, legible copies of all executed commercial leases, riders and amendments



6. A complete legal description of the Property (see Section 29.3)
7. A survey or recorded plat of the Property, if available (see Section 29.5)
8. If the Property is subject to ground leases, a copy of all ground leases
9. Any other information that ensures the completeness of the Appraisal
10. The appraiser's qualifications and the supervising or review appraiser's qualifications
11. A copy of the complete, signed engagement letter and a copy of any other communications about the scope of the Appraisal between the appraiser and the Seller/Service

Freddie Mac will also accept a market study incorporated into the Appraisal.

60.21 Insurable value (07/01/14)

Insurable value must be provided in all Appraisals.

The Replacement Cost is the cost to reconstruct a Property of an equal number of units with equal quality of building materials with equal utility that would be acceptable to the typical investor and tenant in the market in which the Property is located. Replacement Cost is not the cost to construct a replica of the Property.

For insurance purposes, the Replacement Cost may not include goodwill or other intangibles such as value/cost of the land, a deduction for depreciation, cost of site improvements, (e.g., driveways, parking lots, sidewalks, or landscaping), or cost to reconstruct the foundation(s).

60.22 Student Housing Appraisal requirements (06/16/22)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Student Housing Properties. The Appraisal must be prepared by an appraiser who has experience in valuing Student Housing Properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must consider the following:

- Trends in student population or enrollment,
- Changes in the supply of on- or off-campus housing, whether sponsored by the school or planned and built by private developers (such as dormitories, for-profit or not-for-profit apartments, and fraternity or sorority housing),
- Distance from the Student Housing Property to the school, and available transportation,
- Any school policies affecting student residency (for example, requirements for freshmen and sophomores to live on campus), and
- Changes to school-sponsored amenities, whether on- or off-campus.



Freddie Mac requires the use of comparable properties that were purchased, developed or leased for student housing. If comparable student housing properties are not available in the local market, the appraiser may use comparable regional student housing properties. The appraiser must evaluate the comparable property and the school it serves with the Student Housing Property based on the factors described above: student population trends, supply of student housing, distance and transportation between school and housing, amenities, school policies affecting student residency and so forth. These requirements apply to building sales, land sales and rental comparables.

If comparable local or regional student housing properties are not available, non-student housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-student housing to the Student Housing Property.

60.23 Collateral evaluation for tax abatement (07/01/14)

For all Appraisals of a Property with a tax abatement, the preferred Freddie Mac valuation methodology is as follows:

- First, full, stabilized real estate taxes are used to calculate the NOI that is used to determine the property value with full taxes.
- Next, the present value of the tax savings over the term of the tax abatement is determined using a discount rate supported fully by the appraiser.
- The present value of the tax savings is then added to the property value with full taxes to determine the value of the Property with the tax abatement.

Note: If local practice is different from the Freddie Mac preferred methodology, the appraiser may use the local methodology, provided that any differences in technique are fully discussed in the Appraisal.

The appraiser must demonstrate in the Appraisal that the tax abatement is likely to continue for its stated term. This can be accomplished by a variety of methods including a review and discussion within the Appraisal of the tax abatement agreement and/or documented conversation and confirmation of the tax abatement by the Appraiser with the local property tax authority or tax abatement-granting agency.

60.24 Affordable Housing and Targeted Affordable Housing (12/14/23)

In addition to the other requirements of this chapter, the following requirements are for Appraisals of affordable housing properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing affordable housing properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.
2. The appraiser must consider and analyze factors that affect the supply and demand of affordable housing in the subject's market area, including the following:
 - Demand:



- Trends in household income, especially related to Area Median Income (AMI) tranches applicable to the subject's affordable rental structure
 - Trends in occupancy of competing/similar affordable housing properties and market rent properties in the subject's market area
 - Proximity to public/mass transportation
 - Other statistical or researched demand factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
- Supply:
 - Proposed, ongoing, and recent changes in the supply of affordable housing properties within the Property's market area
 - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market
 - Other statistical or researched supply factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as affordable housing. If comparable affordable housing properties are not available in the local market, the appraiser may use comparable regional affordable housing properties. These requirements apply to building sales, land sales, rental comparables and capitalization rate comparables.
 4. If a sufficient number of comparable local or regional affordable housing properties are not available for analysis, non-affordable housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-affordable housing to the affordable housing Property, including marketing time and information derived from the most recent U.S. Census for the location of the Property, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
 5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. For Appraisals directly ordered by Freddie Mac for asset management purposes, the appraiser must also opine, describe and support if the highest and best use of the Property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an estimate of market value considering the time period necessary to phase in non-restricted rents.

In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.



6. If the Property has HUD Project-based Section 8, the appraiser must include the following values:
 - The value using the project-based contract rents, and
 - The value using the lower of market, project-based contract rents, or achievable LIHTC rents (if applicable) for each type of unit
7. If the Property has not achieved stabilized operations, the appraiser must develop both an “as-is” and an “as-stabilized” value.
8. If the Property is to be built and is collateral for a Forward Commitment, the appraisal must meet the requirements of Section 60.30.

60.25 Seniors Housing Properties (12/14/23)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Seniors Housing Properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing seniors housing properties (i.e., independent living properties and assisted living properties) as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service’s files.
2. The appraiser must consider the following:
 - Demand:
 - Trends in the target service area of the subject property indicative of the depth of residency eligibility such as senior population growth or retraction, changes/trends in income and/or net worth of individuals eligible for residency in the subject property, and other factors of seniors housing demand
 - Trends in occupancy of competing/similar seniors housing properties and market rent properties in the subject’s market area
 - Other statistical or researched demand factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject’s market area
 - Supply:
 - Proposed, ongoing, and recent changes in the supply of seniors housing properties within the property’s market area.
 - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, ‘Grand Openings’ and the like in the subject’s market area
 - Other statistical or researched supply factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject’s market area



3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as seniors housing. If comparable seniors housing properties are not available in the local market, the appraiser may use comparable regional seniors housing properties. These requirements apply to building sales, land sales, rental comparables, and capitalization rate comparables.
4. If a sufficient number of comparable local or regional seniors housing properties are not available for analysis, non-seniors housing properties may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-senior housing to the Senior Housing Property including, but not limited to, marketing time and information obtained from the most recent U.S. Census, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. In addition to the hypothetical value if leased at non-restricted rents, the appraiser must opine and support its opinion if the Highest and Best Use of the property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an as-is estimate of market value considering the time period necessary to phase in non-restricted rents.

In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

The Appraisal will clearly and prominently report the total market value of the Property as well as an allocation for contributory business value, personal property and/or other non-real estate items. The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

60.26 Manufactured Housing Communities value (07/01/14)

In addition to the requirements in this chapter, specific appraiser and Appraisal requirements for Manufactured Housing Communities can be found in Section 22.5.

60.27 Appraisals for lease-up programs (09/25/15)

Freddie Mac has two types of lease-up offerings: Acquisition Lease-Up and Refinance Lease-Up.

For Properties to be specifically underwritten in either of these two programs, the Appraisal must provide the as-is value of the Property as of the effective date of the Appraisal report (i.e., the current date) and the prospective as-stabilized value as of the prospective future date of stabilized operations for the Property. The Freddie Mac Underwriting Value is based on the prospective as-stabilized value.

The Seller must provide guidance to the appraiser should these values be required.



60.28 Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages and Preservation Rehabilitation Mortgages (02/28/20)

1. For a Mod Rehab Mortgage, the appraiser must provide the following two values of the Property based on all applicable approaches to value:
 - As-is market value
 - Hypothetical as-if renovated and stabilized today market value
2. For a Preservation Rehabilitation Mortgage, the appraiser must provide the following five values of the Property based on all applicable approaches to value:
 - As-Is market value with current restricted rents (i.e., rents in-place on the date of value).
 - As-Is market value with the proposed restricted rents that will be in-place subsequent to or concurrent with origination of the Mortgage but prior to construction completion. This is a hypothetical value and does not assume that the renovations are completed on the date of value; just that the proposed restricted rents are in place.
 - As-is market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
 - Hypothetical as-if renovated and stabilized at current market value with restricted rents that will be in-place when the Property is renovated and stabilized. This is a hypothetical value.
 - Hypothetical as-if renovated and stabilized at current market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

The as-is market value is the market value of the Property as of the day of the appraiser's inspection, assuming no renovation work has been done. Standard appraisal approaches and industry best practices in accordance with this chapter apply. This value provides a baseline to determine how much additional value the renovation project might generate.

The hypothetical as-if renovated and stabilized current market value assumes that all planned renovations are complete and the Property has achieved stabilized operations as of the date of the appraiser's inspection. This valuation scenario should not simply add the renovation budget total to the as-is market value, as this calculation might not be indicative of actual contributory value of the planned renovation.

The as-is market value and hypothetical as-if renovated and stabilized current market value are imperative to the credit and underwriting analysis of the Freddie Mac transaction. The Seller/Service must provide the appraiser with the pre-construction analysis report, as described in Chapter 63, and the appraiser must provide its opinion on all of the following:

- The specific elements of the renovation that would or might affect market value
- The time needed to complete the planned renovations



- The time needed to achieve stabilized operations after completion of the planned renovations

The appraiser must analyze the effects of the renovation on each of the approaches to value used in the appraisal report. For example, by installing new stainless steel energy saving appliances, the rent might increase, utility expense might decrease, Replacement Reserves might increase and/or the capitalization rate might change due to investor's perception of the quality of the renovations, causing an impact to the appraiser's income approach and change in market value.

The appraiser must provide rents, property taxes, operating expenses, and capitalization rates data from properties that have recently experienced renovations similar to the subject or are comparable to the proposed renovated Property. If these benchmarks are not available in the local market, the appraiser must explain the extent of research to obtain this type of data and provide an adequate discussion about how these items might impact the value from the as-is market value scenario.

The appraiser must provide separate sales and rent comparables for the as-is market value and the hypothetical as-if renovated and stabilized current market value, as the renovation might promote the Property into a higher class of property.

60.29 Appraisals for Mortgages with a Green Up® or a Green Up Plus® loan option (10/12/17)

If the Seller/Servicer requests a Prospective As-Improved Market Value, the Appraisal must include both an As-Is Market Value and Prospective As-Improved Market Value.

- The As-Is Market Value is the market value of the Property, assuming no Green Improvements have been completed. Standard appraisal approaches and industry best practice per this chapter apply. This value provides a baseline to determine how much additional value the Green Improvements might generate.
- The Prospective As-Improved Market Value must assume that all Green Improvements are completed as of the current date of value.

To develop the Prospective As-Improved value, the appraiser must review the list of Green Improvements that the Borrower has committed to execute at the Property, and consider the contribution of these Green Improvements to the Property's prospective market value. The appraiser should not merely add the projected cost of the Green Improvements to the As-Is value and consider this a complete valuation.

The appraiser must consider how rents, expenses and the capitalization rate will be affected by the Green Improvements and the time it will take to implement the Green Improvements.

The appraiser must reference Form 1106, Green Assessment, including the date of the report and a summary of the report's conclusions and recommendations.

Freddie Mac prefers that the Prospective As-Improved Market Value be supported by comparable sales that also had a similar scope of Green Improvements as well as by the appraiser's survey of investors, lenders, property owners and/or brokers familiar with capitalization rates and investor considerations of Green properties.



In addition, Freddie Mac recommends that the appraiser complete the “Valuation of Sustainable Buildings – Commercial” professional development program offered through the Appraisal Institute. A registry of appraisers who have completed this training can be found at the Appraisal Institute’s website.

60.30 Appraisals for Forward Commitment Mortgages (12/17/19)

1. For a Forward Commitment Mortgage, the Appraisal must include the following valuation types:
 - a. As-Is current market value
 - b. Hypothetical current restricted value as-if renovated/constructed and stabilized today, with current restricted rents. This is a hypothetical value.
 - c. Hypothetical current market value as-if renovated/constructed and stabilized today, without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
 - d. All other requirements of Chapter 60
2. A new or updated Appraisal will not be required at Conversion for a Forward Commitment Mortgage except if:
 - a. A request has been made for a loan amount in excess of the original committed amount, or if
 - b. The Forward Commitment has been extended to a maturity date that is one year beyond the original Forward Commitment Maturity Date, or if
 - c. The appraisal is dated more than 48 months prior to the date the Conversion package is submitted.

60.31 Ground leases (04/18/24 12/12/24)

Freddie Mac purchases loans on the leasehold interest in a subject property; i.e., the ownership interest receiving the monthly rent from the property’s tenants. It is important, then, that the appraiser adequately model the financial impact of the ground lease payments on the multifamily operations component and consider all aspects of the valuation risk associated with that ground lease on the subject property.

a. Valuation conclusions (04/18/24 12/12/24)

At a minimum, Freddie Mac requires the appraiser provide an as-is estimate of the leasehold market value of the subject Property on the date of value (See Section 60.1(b)).

If the Ground Lessor will not join in the Mortgage (unsubordinated ground lease), the appraiser must also provide an as-is estimate of the leased fee market value of the subject Property on the date of value.



Additionally:

- If the ownership interests will be separated by a ground lease after the date of value, the appraisal must provide both the as-is market value of the property as a whole as well as the hypothetical market value of the leasehold interest of the subject improvements subject to the ground lease, on the same/current date of value as the as-is value
- The appraisal's ground lease value might be the same or different from the negotiated terms between the ownership entities so Freddie Mac requires that the appraisal support the market value of the ground lease, not the investment value to a specific user or owner
- Copies of ground leases and amendments, even if only in draft form, must be provided to the appraiser (See Section 60.6), and the appraiser must include them in the Addenda to the appraisal report (See Section 60.20(8)).

b. Sale of other multifamily properties that were subject to ground leases (04/15/21)

For a valuation of the leasehold ownership interests, the appraisal must include sales of other multifamily properties that were also subject to ground leases, where available, as the basis for the Sales Comparison Approach and for the capitalization development in the Income Approach.

Additionally:

- These sales should be as similar to the subject as possible, both physically and in terms of its lease characteristics
- The search for comparable leasehold sales can be local, regional or national, depending on the transaction and property characteristics. The appraiser must discuss the scope of the search used for the comparable leasehold sale transactions.
- If these types of transactions are not available to the appraiser, the appraiser must provide transparency in the report of how they adapted leased fee transactions to the leasehold valuation of the subject property. (See Sections 60.14(b) and 60.14(c)).

c. Additional data and analysis requirements (04/15/21)

In addition to the requirements above:

- The appraisal must comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) regarding the value of an assemblage and not merely add the components together to derive the value of the whole.
- If the appraiser concludes that there is a value enhancement due to the separation of the ownership estates, the appraisal must explicitly provide an adequate discussion, analysis, and data to support their opinion of the incremental value of the bifurcation of the ownership



- The format of the appraisal's cash flow model would be dependent on the structure of the ground lease payments (e.g., regular cash flows, a lump sum or irregular series of cash flows)

d. Report documentation (04/15/21)

For the subject property's ground lease and for any ground lease or leasehold comparables, the appraiser must provide sufficient transactional information so the transaction can be validated, including, where available:

- Name of Ground Lessor and name of Ground Lessee
- Date of lease execution
- Public record reference of the deed or lease, if applicable, including parcel identification(s) for the land component and the building component
- Description of the site's improvements at the time of lease commencement
- Length and terms of lease and extensions, if any
- The structure of the lease payments
- Identification of any related-party transaction, a sale-leaseback, purchase option, or prior financing history between the parties
- Reversion: What does the ground lease require when the lease expires?
- Indicated capitalization rate, rate of return, and/or discount rate (IRR) from the transaction
- With whom this transactional information was verified

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Modified filename: 60 - Appraiser and Appraisal Reqs GB-12-12-24.docx	
Changes:	
<u>Add</u>	9
<u>Delete</u>	6
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<u>Table Delete</u>	0
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	15

Multifamily Seller/Service Guide

Chapter 62

Property Condition Report Requirements



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e. Unacceptable consultants (02/29/12)

62.9 Coordination with Appraisal (03/31/11)

62.10 Representations and warranties (09/28/18)



62.1 Property condition reports (06/16/22-12/12/24)

Unless Freddie Mac otherwise requires, SBL Seller/Serviceirs must refer to Chapter 62SBL, SBL Physical Risk Report Requirements, to obtain the requirements for evaluating the physical risk of Property secured by an SBL Mortgage.

Seller/Serviceirs 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/Serviceir 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/Serviceir 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 (06/16/22-12/12/24)

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 Operational Repairs to be addressed by the Borrower prior to the first annual inspection~~
- 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

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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

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62.2 Specific Seller/Service duties and responsibilities (03/03/17-12/12/24)

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
 - 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
 - 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

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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.
 - ~~○ Prepare Loan Documents which include the applicable Rider to the Loan Agreement with funded Reserves for all Priority Repairs~~
 - ~~○ For non-SBL Mortgages, prepare a Repair Letter for all Operational Repairs identified by the property condition consultant~~
- 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

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62.3 Property condition report requirements (06/16/2212/12/24)

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

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The property condition consultant must review pertinent information and records in accordance with Section 62.5.

b. Repair categories (06/16/22-12/12/24)

The repair categories are as follows:

- Critical Repairs – Repairs and replacements required to address conditions that significantly ~~impact~~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 ~~are significant and~~ must be addressed ~~as soon as possible~~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
 - ~~Material~~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
 - ~~Significant~~ 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 ~~and which, having a cost of more than \$3,000 per repair item.~~ Deferred Maintenance may result in any of the following:
 - ~~Advanced physical~~Physical deterioration
 - Lack of full operation or efficiency



- Increased operating costs
- Decline in property value

~~Any Priority Repair that represents an imminent Life Safety Hazard to tenants or any uncorrected Priority Repair that is the cause of ongoing substantive damage to the asset must be identified on Form 1105, Property Condition Assessment, as a PR-90 repair, indicating that the consultant recommends that this work be completed as soon as possible. PR-90 Repairs must be targeted for completion within 90 days after the Origination Date; all other Priority Repairs must be targeted for completion within 365 days after the Origination Date.~~

- 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
 - Operational Repairs—Repairs and replacements that consist of Minor Deficiencies, Minor Deferred Maintenance and Disability Accessibility Enhancements that are expected to be completed by the Borrower as part of a repairs and maintenance budget and that are not typically resolved by Routine Maintenance
 - Minor Deficiencies—Unresolved problems including:
 - Deficiencies that are not included in Critical or Priority Repairs
 - Deficiencies that do not warrant immediate attention, but require repairs or replacements that should be undertaken within the next 12 months
 - Deficiencies that cannot be reasonably addressed by Routine Repairs and Maintenance, and have a cost per repair item of more than \$3000
 - Minor Deferred Maintenance—The postponement of normal maintenance that may result in minor deterioration, lack of efficiency, and/or minor increase in the operating budget and that has a cost of more than \$3000.
 - Disability Accessibility Enhancements—For properties built prior to the enactment of the Fair Housing Act and the Americans with Disabilities Act, repairs and/or renovations 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.
 - 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

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- Routine Repairs and Maintenance – Repairs and maintenance that are expected to be completed by the Borrower in the normal course of business property operations and are nominal in cost. These repairs are not considered to be Critical, Repairs or Priority or Operational 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”);

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- 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:
 - o any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - o any initial purchaser or subsequent holder of such debt and/or securities;
 - o any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - o any indenture trustee;
 - o any rating agency; and
 - o 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

~~(12/14/23)~~ 12/12/24

The property condition consultant must:

- Review information pertaining to the maintenance, repair and replacement of major building components or systems

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- 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

o 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

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- 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)

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:

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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 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)

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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:
- a. Verify that access to the system is restricted to authorized personnel
 - b. Provide costs necessary to link into the municipal waste system if one is readily available
 - c. Describe the leach field and distance to surrounding bodies of water that could be impacted by the effluent
 - d. Confirm that no buildings or structures are located on top of the leach field
 - e. Confirm historical operations of the system, including any violations
 - f. Identify reserves needed to maintain the system and leach field
 - g. Determine if private waste treatment systems are common to the market
 - h. Confirm any required license or authorization to operate the system is in place
 - i. 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)
 - j. Confirm professional third-party maintenance
 - k. Confirm that the waste treatment system meets or exceeds applicable federal, state, and local requirements
 - l. Confirm that waste treatment systems are neither owned nor maintained by residents



d. Moisture or Mold issues (02/28/18)

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 (12/15/16)

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

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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 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 (12/14/23 12/12/24)

The consultant must complete Form 1105, Property Condition Assessment- ~~and must deliver a Property Condition Assessments using Form 1105 with an inspection date on or after October 17th, 2020, must be delivered with the following files:~~

- Property Condition Assessment Report (PDF Format, including Form 1105).
- ~~Form 1105 Data Supplement (JSON Format, and in compliance with the standards on the myOptigo Resources page at mf.freddiemac.com)~~

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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

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- 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 (04/04/13 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, ~~and Operational 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 (06/29/18 12/12/24)

In Section III, the consultant must:

- Identify the Critical Repairs, and Priority Repairs, ~~and Operational Repairs~~

- Identify Priority Repairs that need to be completed as soon as possible ~~with the as~~ PR-90 ~~designation~~ 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 ~~Loan~~ Mortgage Term (Replacement Reserves) (06/29/18 ~~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 ~~IV~~ VI of the ~~Form~~ 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 (06/29/18 12/12/24)

Section VII provides brief definitions of ~~Operational, Priority and~~ 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~~ 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)

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/Service must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare property condition reports. The Seller/Service is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Service 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.freddie.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/Serviceicers 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/Serviceicer 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/Serviceicer is deemed to make the warranties regarding the property condition consultant and property condition report set forth in Section 5.4.

Summary report:	
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Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 62 - Property Condition Reqs GB-12-14-23.docx	
Modified filename: 62 - Property Condition Reqs GB-12-12-24.docx	
Changes:	
<u>Add</u>	81
Delete	89
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	170

Multifamily Seller/Service Guide

Chapter 62SBL

SBL Physical Risk Report Requirements



- 62SBL.1 ~~SBL Physical Risk Reports (02/16/23)~~SBL Physical Risk Reports (12/12/24)
- ~~Purpose of the SBL Physical Risk Report (02/16/23)~~Purpose of the SBL Physical Risk Report (12/12/24)
 - Information to be provided with the SBL Physical Risk Report (02/16/23)

62SBL.2 ~~Specific Seller/Service duties and responsibilities (08/15/24)~~Specific Seller/Service duties and responsibilities (12/12/24)

62SBL.3 ~~SBL Physical Risk Report requirements (12/14/23)~~SBL Physical Risk Report requirements (12/12/24)

- General requirements for SBL Physical Risk Reports (02/16/23)
- ~~Repair categories (06/16/22)~~Repair categories (12/12/24)
- ~~Capital needs over the term of the Mortgage (Replacement Reserves) (06/30/16)~~Capital needs over the term of the Mortgage (Replacement Reserves) (12/12/24)
- Remediation and retesting (06/30/16)
- Operations and maintenance (O&M) program (06/30/16)
- Specific requirements for the SBL Physical Risk Report (12/14/23)

62SBL.4 ~~Data collection and records inquiry for the SBL Physical Risk Report (12/15/22)~~Data collection and records inquiry for the SBL Physical Risk Report (12/12/24)

62SBL.5 ~~Inspection requirements for the SBL Physical Risk Report (02/16/23)~~Inspection requirements for the SBL Physical Risk Report (12/12/24)

- Property grounds and buildings (12/15/22)
- Dwelling units, commercial units and building interior (06/30/16)
- ~~Problematic materials, equipment and systems (06/20/18)~~Problematic materials, equipment and systems (12/12/24)
- Moisture or Mold issues (10/14/16)
- Wood-damaging insects (12/15/16)
- Environmental issues to be evaluated (02/16/23)

62SBL.6 Hazardous material (02/16/23)

62SBL.7 Storage tanks (02/16/23)

62SBL.8 Polychlorinated biphenyls (PCBs) (02/16/23)

62SBL.9 Prior use/historical sources inquiry (02/16/23)

62SBL.10 Neighborhood hazardous waste activity (02/16/23)

62SBL.11 Asbestos-containing materials (ACM) (02/16/23)

- Refer to Section 61.10(a) and Sections 61.10(c) through 61.10(f) (02/16/23)
- Environmental assessment protocol (02/16/23)

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- 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 (02/16/23)

- 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 (06/30/16)
- 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 (02/16/23 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 (02/16/23 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 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 Operational Repairs (as defined in Section 62SBL.3(b))~~
- 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)

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- 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

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62SBL.2 Specific Seller/Servicer duties and responsibilities (08/15/24/12/24)

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 property condition deficiencies and environmental hazards.

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 Borrower may be responsible for paying the costs of all physical risk consultant services.

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- 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) ~~and Operational 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



- ~~o Include funded Reserves in the Loan Documents, if applicable~~
- ~~o Prepare Loan Documents which include the applicable funded Reserves for all Priority Repairs~~
- ~~o 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)
 - o Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property
 - o Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems

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62SBL.3 SBL Physical Risk Report requirements (12/14/23 12/12/24)

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

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Physical Risk Report, and any references to the environmental consultant are to be understood as referring to the physical risk consultant.

b. Repair categories (06/16/22/12/12/24)

The repair categories are as follows:

- Critical Repairs – Repairs and replacements required to address conditions that significantly ~~impact~~ 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 are significant and must be addressed as soon as possible 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
 - ~~Material~~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
 - ~~Significant~~ 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 and which, having a cost of more than \$3,000 per repair item. Deferred Maintenance may result in any of the following:
 - ~~Advanced physical~~Physical deterioration
 - Lack of full operation or efficiency



- Increased operating costs
- Decline in property value
- PR-90 Repairs – ~~all Priority Repairs that represent an imminent Life Safety Hazard to tenants or any uncorrected Priority Repair that is the cause of ongoing substantive damage to the asset must be identified on Form 1104, SBL Physical Risk Report, as a PR-90 repair, indicating that the consultant recommends that this work be completed as soon as possible 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~~
 - ~~Operational Repairs—Repairs and replacements that consist of Minor Deficiencies, Minor Deferred Maintenance and Disability Accessibility Enhancements that are expected to be completed by the Borrower as part of a repairs and maintenance budget and that are not typically resolved by Routine Maintenance~~
 - ~~Minor Deficiencies—Unresolved problems including:~~
 - ~~Deficiencies that are not included in Critical or Priority Repairs~~
 - ~~Deficiencies that do not warrant immediate attention, but require repairs or replacements that should be undertaken within the next 12 months~~
 - ~~Deficiencies that cannot be reasonably addressed by Routine Repairs and Maintenance, and have a cost per repair item of more than \$3000~~
 - ~~Minor Deferred Maintenance—The postponement of normal maintenance that may result in minor deterioration, lack of efficiency, and/or minor increase in the operating budget and that has a cost of more than \$3000~~
 - ~~Disability Accessibility Enhancements—For properties built prior to the enactment of the Fair Housing Act and the Americans with Disabilities Act, repairs and/or renovations 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~~
 - ~~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 ~~business property operations~~ and are nominal in cost. These repairs are not considered to be Critical, ~~or~~ Priority ~~or~~

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~~Operational~~ 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~~\$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)
(06/30/12/12/24)

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:

- Excellent: the property/component is new or maintained in like new condition with proactive maintenance practices, thus exhibiting no deferred maintenance or Life Safety Hazard/code issues.
- Above Average: the property/component is fully functional, well maintained, exhibits minimal wear and tear and no deferred maintenance or Life Safety Hazard/code issues. Any identified repairs are due to recent events (e.g., a windstorm or a burst pipe) or are very limited in scope (routine maintenance). Low reserves are required.
- Average: the property/condition is fully functional and generally well maintained. It may exhibit customary wear and tear based on age and may have minimal deferred maintenance. Any Life Safety Hazard/code issues can be readily corrected as part of the operating budget and are isolated in nature. Moderate reserves are required.
- Below Average: the property/condition exhibits pervasive wear and tear, some limits in functionality and deferred maintenance issues. Life Safety Hazard/code issues are significant and/or numerous and involve substantial cost. High reserves are required.
- Inferior: the property/component exhibits inferior/deteriorating conditions and some limits in functionality. Deferred maintenance is pervasive and will be costly to cure.

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Multiple Life Safety Hazard/code issues are identified and involve significant cost. Extensive repairs are required.

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

~~(12/15/22)~~ 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.

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62SBL.5 Inspection requirements for the SBL Physical Risk Report (02/16/23 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 (06/29/18 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

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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, except that 40 amperes is the minimum allowable service level acceptable ~~in an SBL Top Market~~ 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.

3. Aluminum wiring

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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. Superlien 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 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/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

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 (02/16/23)

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/Serviceur must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare SBL Physical Risk Reports. The Seller/Serviceur is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Serviceur 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

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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 provider 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 provider 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 provider 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/Serviceicer 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/Serviceicer, 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 (06/30/16)

1. The consultant must provide to the Seller/Serviceicer 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/Serviceicer 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 A-, VI, or higher (i.e., A-, X; A, VI, etc.).

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.

Summary report:	
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Modified filename: 62SBL - SBL Physical Risk Report Reqs GB-12-12-24.docx	
Changes:	
Add	58
Delete	67
Move From	0
Move To	0
Table Insert	0
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Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
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Multifamily Seller/Service Guide

Chapter 66

Conventional/TAH Physical Risk Report Requirements



- 66.1 ~~Physical Risk Reports (02/16/23)~~ Physical Risk Reports (12/12/24)
 - a. ~~Purpose of the Physical Risk Report (02/16/23)~~ Purpose of the Physical Risk Report (12/12/24)
 - b. Information to be provided with the Physical Risk Report (02/16/23)
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- 66.15 Radon (02/16/23)
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- 66.17 Acceptability of the Physical Risk Report (02/16/23)



66.18 Physical risk consultant qualifications and requirements (02/16/23)

- a. General requirements (12/14/17)
- b. References and experience (02/16/23)
- c. Conflicts of interest/provision of related services (12/14/17)
- d. Insurance (12/14/17)
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66.19 Mortgage Servicing (02/16/23)

66.20 Representations and warranties (09/28/18)



66.1 Physical Risk Reports (02/16/23 12/12/24)

Unless otherwise required by Freddie Mac, this chapter applies to the following:

- A conventional or Targeted Affordable Housing (TAH) 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 (02/16/23 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 Operational Repairs (as defined in Section 66.3(b))~~
- 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

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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 (02/16/23/12/12/24)

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) ~~and Operational 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
 - ~~Include funded Reserves in the Loan Documents, if applicable~~
 - ~~Prepare Loan Documents which include the applicable Rider to the Loan Agreement with funded Reserves for all Priority Repairs~~

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- 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)

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

o 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

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- 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.

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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) (02/16/23)

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 physical risk consultant does not have the asbestos training identified in Section 66.18(b), then refer to Sections 62SBL.11(a)-(d).

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)

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.

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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/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.

Freddie Mac will not accept a 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 (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.

Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 12/11/2024 9:51:53 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 66 - Physical Risk Report Reqs GB-12-14-23.docx	
Modified filename: 66 - Physical Risk Report Reqs GB-12-12-24.docx	
Changes:	
Add	15
Delete	18
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	33

Multifamily Seller/Service Guide

Directory



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Directory (~~04/18~~12/12/24)

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, all of the Freddie Mac departments referenced in italics in the Multifamily Seller/Service Guide. Address, telephone and fax numbers, where applicable, are indicated for each department, and email addresses are listed for some departments.

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 customers with properties in the following states:

Illinois	Michigan	Ohio
Indiana	Minnesota	Oklahoma
Iowa	Missouri	South Dakota
Kansas	Nebraska	Texas
Kentucky	North Dakota	Wisconsin

Attn: Managing Regional Director
Multifamily – Central Region
Freddie Mac
333 West Wacker Drive, Suite 2500
Chicago, IL 60606-1287

Telephone number: (312) 407-7400
Fax number: (312) 407-7500

Northeast Region

Serving multifamily customers with properties in the following states:

Connecticut	New Hampshire	Puerto Rico
Delaware	New Jersey	Rhode Island
Maine	New York	Vermont
Massachusetts	Pennsylvania	

Attn: Managing Regional Director



Multifamily - Northeast Region
 Freddie Mac
 122 E. 42nd Street, 4th Floor
 New York, NY 10168

Telephone number: (212) 418-8900
 Fax number: (212) 418-8921

Southeast Region

Serving multifamily customers 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

Attn: Managing Regional Director
 Multifamily - Southeast Region
 Multifamily Production & Sales
 Freddie Mac
 8100 Jones Branch Drive
 McLean, VA 22102-3110

Telephone number: (703) 714-2850
 Fax number: (703) 714-3384

Western Region

Serving multifamily customers with properties in the following states:

Alaska	Hawaii	Oregon
Arizona	Idaho	Utah
California	Montana	Washington
Colorado	Nevada	Wyoming
Guam	New Mexico	

Attn: Regional Managing Director
 Multifamily – Western Region
 Freddie Mac
~~444 South Flower Street, 44th Floor~~
Los Angeles 200 Spectrum Center Drive, Suite 200



Irvine, CA 90071-2944/92618

Telephone number: (213) 337-4200

~~Fax number: (213) 337-4239~~

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

Telephone Number: (312) 407-7390

Fax Number: (312) 407-7500

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

Telephone Number: (703) 714-2754

Multifamily SBL – NYC Metro

Multifamily – Northeast Region

Freddie Mac

200 Park Avenue, 16th Floor

New York, NY 10116



Telephone Number: (212) 418-7746
 Fax Number: (212) 418-7736

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

Telephone Number: (703) 714-2649
 Fax Number: N/A

Southeast Region

Servicing 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

Telephone Number: (703) 714-3506
 Fax Number: (703) 714-2996

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
 444 South Flower Street, 44th Floor
 Los Angeles, CA 90071



Telephone Number: (213) 337-4270

Fax Number: (213) 337-4202

~~Applicable Multifamily Asset Management Mortgage Loan Administrator (or Multifamily Asset Resolution Director)~~

~~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~~

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](mailto: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
E-mail: 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



E-mail: 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/Service 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

Telephone Number: (703) 714-3051
Fax Number: (703) 714-3388

Multifamily TAH Production

Attn: Multifamily TAH Production
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-2968
Fax number: (703) 714-3388
Email: TAH_Retail_Production@freddiemac.com

Multifamily TAH Underwriter

Attn: Director, Targeted Affordable Underwriting
Freddie Mac
8100 Jones Branch Drive
McLean, VA 22102-3110

Telephone number: (703) 714-4322
Fax number: (703) 714-4008



Glossary and List of Commonly Used Acronyms (~~10/17~~12/12/24)

[a](#) [b](#) [c](#) [d](#) [e](#) [f](#) [g](#) [h](#) [i](#) [j](#) [k](#) [l](#) [m](#) [n](#) [o](#) [p](#) [q](#) [r](#) [s](#) [t](#) [u](#) [v](#) [w](#) [x](#) [y](#) [z](#)

Glossary

30 Days Delinquent

See Delinquency.

55-Day Multi PC

A 55-Day Multi PC is a Participation Certificate (PC) in which the payments by Borrowers on the 55-Day Multi PC Securitized Mortgages are passed through, with a payment delay of 55 days, to the holders of the 55-Day Multi PCs.

55-Day Multi PC Securitized Mortgages

55-Day Multi PC Securitized Mortgages are Mortgages that are pooled in 55-Day Multi PCs.

Accounting Net Yield

The Accounting Net Yield is the net yield rate that the Servicer uses to report and remit interest to Freddie Mac on a monthly basis. The Accounting Net Yield equals the Required Net Yield except for Mortgages sold to Freddie Mac at a discount or at a premium.

Active Mortgage

An Active Mortgage is a Mortgage on which the Borrower's payments are current, or a Delinquent Mortgage that has not been deactivated by the Servicer for accounting and reporting purposes.

Adjustable-rate Mortgage

See Floating-Rate Mortgage.

Acceptance Letter

An Acceptance Letter is used by Freddie Mac to indicate its acceptance of an early rate lock application with nonmaterial modifications. The Seller will be bound by the terms of any Acceptance Letter.

Activity of Daily Living

See Section 21.2.



Additional Actual Loan Amount

See Sections 19A.12(d) and 25A.8(b).

Additional Actual Loan Amount Percentage

See Sections 19A.12(d) and 25A.8(b).

Affiliated Persons of the Seller/Servicer

Affiliated Persons of the Seller/Servicer include the following:

1. The Seller/Servicer's directors, officers, employees and controlling persons
2. Spouses or domestic partners of the Seller/Servicer's directors, officers and controlling persons
3. Members of the immediate family of the Seller/Servicer's directors, officers and controlling persons who have the same home as such persons
4. Individuals who are directors or officers of any subsidiary or holding company affiliate of the Seller/Servicer
5. Corporations or organizations (other than the Seller/Servicer or a corporation or organization through which the Seller/Servicer operates) of which a director, officer or controlling person of the Seller/Servicer is
 - An officer or partner
 - Directly or indirectly, either alone or with his or her spouse or domestic partner, the owner of 10 percent or more of any class of equity securities
 - Owner with other directors, officers and controlling persons of the Seller/Servicer and their spouses or domestic partners of 25 percent or more of any class of equity securities
6. Trusts or other estates in which a director, officer or controlling person of the Seller/Servicer or the spouse or domestic partner of such person has a substantial beneficial interest or for which such person or his or her spouse or domestic partner serves as trustee or in a similar fiduciary capacity

Affiliates of the Borrower

Affiliates of the Borrower include any person or entity who Controls, is Controlled by, or is under common Control with the Borrower.

Annual Inspection Form

See Section 40.2.

Anti-Money Laundering Laws

Anti-Money Laundering Laws are the applicable federal anti-money laundering laws and regulations including 18 U.S. C. Sections 1956 and 1957, as amended.



Applicable Freddie Mac Multifamily Regional Office

The Applicable Freddie Mac Multifamily Regional Office is the Freddie Mac Regional Office that has jurisdiction over a multifamily Mortgage purchase. The addresses for Freddie Mac's Multifamily Regional Offices are set forth in the Seller/Servicer Guide Directory.

Appraisal

An Appraisal is a report setting forth an estimate or opinion of value prepared by an appraiser having the qualifications described in Sections 60.4 and 60.5.

Assisted Living Residence

See Section 21.2.

Benchmarking Data

Benchmarking Data is the Property's energy and water usage entered by the Benchmarking Data Consultant in Portfolio Manager® and which meets the requirements set forth in the term sheet located on the Freddie Mac Multifamily website. If Portfolio Manager® is no longer available, the Benchmarking Data Consultant may enter the data into another benchmarking tool identified by Freddie Mac.

Benchmarking Data Consultant

Benchmarking Data Consultant is a third-party consultant retained by Borrower and acceptable to Lender that is qualified to collect, input and monitor Benchmarking Data from the Mortgaged Property.

Benchmarking Metrics

Benchmarking Metrics are measures of Property utility consumption performance provided through Portfolio Manager.

Borrower

The Borrower is the party obligated to repay the indebtedness secured by the Property. The Borrower must, in Freddie Mac's judgment, have sufficient financial, operational and management capacity. Acceptable Borrowers are described in Section 9.2.

Borrower Principal

A Borrower Principal is:

- Any Key Borrower Principal
- Any person or entity that has Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, and Borrower-affiliated Master Tenant, including any one or more of the following:
 - General partner of a general partnership or a limited partnership



- Non-member manager, managing member, or members of the board of managers of a limited liability company
- The settlor (grantor) of a living or revocable trust
- The trustee of an irrevocable trust
- Any person or entity that is pre-approved by lender to assume Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any person or entity with an aggregate interest (whether direct or indirect) in the Borrower equal to or exceeding 25 percent including any (i) equitable ownership interest or (ii) any beneficial interest in an Illinois Land Trust, irrevocable trust or Delaware Statutory Trust
- A LIHTC Syndicator
- Any person or entity that Freddie Mac determines to be a Borrower Principal

Breakage Fee

The Breakage Fee is the fee, as set forth in the Letter of Commitment, Forward Commitment or early rate lock application, that the Borrower will owe the Seller and the Seller will owe Freddie Mac if there is a Nondelivery or in certain cases, if Freddie Mac Rejects the early rate lock application.

Business Day

A Business Day is a day other than:

- A Saturday or Sunday
- A day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed
- A day on which the principal offices of Freddie Mac are closed
- A day on which the offices of the federal government located in the District of Columbia are generally closed

In the Guide, the word "day" without the modifier "business" refers to a calendar day.

Business Disruption

See Section 2.20.

Business Continuity Plan

See Section 2.20.



Capitalization Rate

The Capitalization Rate is the percentage rate that represents the proper relationship between the value of the Property and the Net Operating Income that the Property produces.

Certified Inspector

See Section 40.13(b).

Certified Organizational Chart

A Certified Organizational Chart is an Organizational Chart that is attached to [Form 1114, Certification – Organizational Chart](#). If the Certified Organizational Chart is revised, the Borrower must submit a new [Form 1114, Certification – Organizational Chart](#), with the revised Organizational Chart.

Change of Control

With respect to the Seller/Servicer, a change in the Control, directly or indirectly, of the management or policies of a Seller/Servicer, whether through ownership or transfer of ownership interests, by contract, or otherwise. A person is presumed to have such power if the person:

- Is a director, general partner, or Senior Management of the Seller/Servicer
- Directly or indirectly has the right to vote 10 percent or more of a class of a voting security of the company or has the power to sell or direct the sale of 10 percent or more of a class of voting securities of the company
- In the case of a limited liability company, is a managing member of the limited liability company; or
- In the case of a partnership, has the right to receive upon dissolution or has contributed 10 percent or more of the capital of the partnership

Claims Made Policy Form

An insurance policy that covers claims first made (reported or filed) during the year the policy is in force for any incidents that occur that year or during any previous period during which the insured was covered under a “claims-made” contract. This form is in contrast to the Occurrence-based Policy Form.

Commercial Property Assessed Clean Energy

Commercial Property Assessed Clean Energy is a tax lien financing program that is available to commercial, industrial and multifamily property owners to access affordable financing for qualifying energy efficiency and clean energy improvements to their properties.

Common Equity

See Section 9.9(b).



Complete Borrower/Key Borrower Principal Due Diligence Package

A Complete Borrower/Key Borrower Principal Due Diligence Package consists of:

- [Form 1115, Borrower and Key Borrower Principal Certificate](#);
- [Form 1116, Real Estate Schedule](#);
- Certified current financial statements for the Borrower and Key Borrower Principals;
- Credit report(s) for ~~Borrowers and~~ Guarantors that are individuals;
- [Form 1112, Borrower and Key Borrower Principal Blanket Certification](#); and
- Liquidity verification documentation, if applicable

The Complete Borrower/Key Borrower Principal Due Diligence Package is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.

Conditions to Conversion

Conditions to Conversion is, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, Section 19A.12 (for Forward Commitments under Chapter 19A) or Section 25A.7 and 25A.8 (for Forward Commitments under Chapter 25A), and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.

Confirmation Sheet

The Confirmation Sheet is the “Interest Rate Lock and Mortgage Terms Confirmation” or “Spread Lock and Mortgage Terms Confirmation” attached as an Exhibit to a Letter of Commitment, early rate lock application, Acceptance Letter or Index Lock Agreement. After an index locked Loan is Rate Locked, the Confirmation Sheet from the Index Lock becomes null and void and is replaced by the Confirmation Sheet that is attached to the Commitment, early rate lock application or Acceptance Letter. The Confirmation Sheet is sent after Rate Lock. For an early rate lock application, the Confirmation Sheet will be revised when Freddie Mac accepts the early rate lock application after final underwriting and issues the Acceptance Letter.

Consent Request Tracker

See Section 36.25.

Construction Loan

Required for a Forward Commitment, the Construction Loan is the construction lender’s loan to the Borrower.

Construction Phase Letter of Credit

The Construction Phase Letter of Credit secures Freddie Mac

- For a Cash Forward Commitment, when Freddie Mac advances funds to the construction lender during the construction period



- For a Bond Credit Enhancement Forward Commitment, when Freddie Mac provides the credit enhancement or Liquidity support for the bonds during the construction period

Construction Phase Financing Agreement

For a Bond Credit Enhancement Forward Commitment or a Forward Commitment under Chapter 25A, the Construction Phase Financing Agreement is an agreement among Freddie Mac, the Seller/Servicer and the construction lender. It must be accepted by the Borrower.

Continuing Care Retirement Community

See Section 21.2.

Control

Control is the power to manage, control or direct the decisions of an entity.

Conventional Seller/Servicer

A Conventional Seller/Servicer is a Seller/Servicer that meets the net worth requirements in Section 3.3 and Freddie Mac's other eligibility requirements and has been approved by Freddie Mac as an Optigo Conventional Lender. In the Guide, an Optigo Conventional Lender is also referred to as a Conventional Seller/Servicer.

Conversion

For a Forward Commitment under Chapter 19A, the Conversion is the closing of the permanent Mortgage after construction has been completed and the Property has met the applicable Conversion criteria.

For a Forward Commitment under Chapter 25A, the Conversion is the purchase of the TEL by the Seller from the construction lender after construction has been completed and the Property has met the applicable Conversion criteria.

For a Moderate Rehabilitation (Mod Rehab) Mortgage, the Conversion is the time when the loan terms change from the Interim Phase loan terms to Permanent Phase loan terms.

Conviction or Convicted

Conviction is any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. This includes nolo contendere (no contest) pleas, Alford pleas, and pardons not resulting in an expungement of the conviction. A disposition without the participation of a court is the functional equivalent of a judgment only if it includes an admission of guilt. Previous convictions that have been expunged by the date that [Form 1115, Borrower and Key Borrower Principal Certificate](#) is completed will not be considered Convictions.

Cooperative

A Cooperative, or co-op, is a form of ownership of multifamily housing in which a cooperative housing association or corporation owns the multifamily Property (land and improvements) and the dwelling units are



subject to proprietary leases between the corporation and unit “owners”. The unit owners own stock in the association or corporation to evidence their “ownership” in their dwelling units. Blanket (underlying) first Mortgages on multifamily housing owned by Cooperatives are eligible for purchase subject to the requirements set forth in Sections 8SBL.18 and 9.5.

Coupon Rate

The Coupon Rate is the interest rate specified in the Note secured by the Security Instrument.

Criminal Conviction

A Criminal Conviction includes any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. A plea of nolo contendere (no contest) will also be considered a Criminal Conviction. A disposition without the participation of a court will be considered the functional equivalent of a judgment only if it includes an admission of guilt.

Critical Repairs

See Sections 62.3(b) and 62SBL.3(b).

Crowdfunding

Raising capital from marketing directed to the public at large (via the internet or otherwise) for investment in one specific property under the exemptions provided under Title III or Title IV of the Jumpstart Our Business Startups (JOBS) Act.

Custodial Account

A Custodial Account is an account established and maintained by a Servicer at an “eligible depository,” as that term is defined in Chapter 52, into which principal and interest payments or Reserves are deposited.

Debt Coverage Ratio

The Debt Coverage Ratio is the ratio of Net Operating Income from a multifamily Property to the annual debt service, as determined by Freddie Mac.

Defeasance Period

The Defeasance Period is defined in the Loan Documents and is generally the period of time specified in the Loan Documents that the Borrower is prohibited from prepaying the Mortgage and may only defease the Mortgage.

Deferred Maintenance

Deferred Maintenance is the postponement of normal maintenance, which may result in Life Safety Hazards, advanced physical deterioration, lack of full operation or efficiency, or a decline in property value.



Delegated TAH Mortgage

A Mortgage originated under the Delegated Underwriting Model for Targeted Affordable Housing (TAH), described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide).

Delivery Assurance Fee

For Cash Forward Commitments, the Delivery Assurance Fee is a fee specified in the Forward Commitment that may be payable in the form of cash, a letter of credit or a secured note.

Delivery Assurance Mortgage

For Cash Forward Commitments, the Delivery Assurance Mortgage is the mortgage that secures the Delivery Assurance Note provided to Freddie Mac in payment of the Delivery Assurance Fee.

Delivery Assurance Note

For Cash Forward Commitments, the Delivery Assurance Note is a secured note that the Borrower provides to Freddie Mac in payment of the Delivery Assurance Fee; it is secured by a mortgage on the Property.

Delinquency

Delinquency occurs when all or part of the Borrower's monthly installment of principal, interest and, where applicable, Reserves is unpaid after the Due Date.

A Mortgage is considered delinquent when it is 30 days delinquent, as described in the table below:

If the due date is	The Mortgage is 30 days delinquent
The first day of the month	When all or part of one or more payments remains unpaid as of close of business on the last Business Day of the month
Not the first day of the month (from the second through the last day of the month)	When all or part of one or more payments remains unpaid 30 or more actual calendar days as of close of business on the last Business Day of the month

Delinquent

See Delinquency.

Delivery Date

The Delivery Date is the date Freddie Mac receives all documentation required by the Purchase and Servicing Documents. Delivery to Freddie Mac occurs when Freddie Mac takes actual possession of all documentation required to be submitted. The posting of such documentation with the U.S. Postal Service or any other delivery service does not constitute delivery to Freddie Mac.



Disabled-Owned Business

A Disabled-Owned Business is:

- Qualified as a Service-Disabled Veteran-Owned Small Business Concern as defined in 13 C.F.R. §§ 125.8-125.13; or
- An entity within the Borrower structure or having direct or indirect Control of the Borrower in which:
 - At least 50 percent of the ownership or Control is held by one or more persons with a Disability; and
 - At least 50 percent of the net profit or loss accrues to one or more persons with a Disability

For the purposes of this definition, “Disability” has the meaning defined in 29 C.F.R. § 1630.2(g), § 1630.3 and Appendix to Part 1630 – Interpretive Guidance on Title I of the Americans with Disabilities Act.

Discovery Policy Form

An insurance policy form that covers losses discovered during the policy period even though they may have occurred before the policy period.

Diverse Borrower

A Diverse Borrower is a Borrower or a Borrower that has a Borrower Principal that meets the following conditions:

- A Minority-Owned Business, Women-Owned Business, Disabled-Owned Business, LGBTQ+-Owned Business or Veteran-Owned Business; or
- An entity in which:
 - At least 50 percent of the ownership or Control is held by a combination of individuals who are Minorities, women, have a Disability, identify as LGBTQ+, or are Veterans; and
 - At least 50 percent of the net profit or loss accrues to a combination of individuals who are Minorities, women, have a Disability, identify as LGBTQ+, or are Veterans

Document Management System

A Multifamily Software Application used to receive, deliver, and store electronic versions of documents relating to Freddie Mac Multifamily Mortgages.

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 Green Improvements on the Property by applicable local, State or federal agencies or another nationally recognized building association.

Energy Star® Score

ENERGY STAR® Score is the measure of energy performance provided for the Property by Portfolio Manager.

Environmental Superlien Law

See Section 61.1(b).

EPA 1-100 Water Score

EPA 1-100 Water Score is a measure of water performance provided for the Property by Portfolio Manager®.



Equity Conflict of Interest

See Section 2.25.

Exception(s)

Any exceptions to the Seller/Servicer Representations and Warranties referenced in Section 5.13 of the Guide and found under the “Resources” section of the Legal Documents page at mf.freddiemac.com/lenders/legal.

Expiration Date

The Expiration Date is the date set forth in the Letter of Commitment by which the Seller must accept the Letter of Commitment and Rate Lock. The Expiration Date for an early rate lock application is or the expiration date of the Quote.

Exclusionary List

The Exclusionary List is a confidential list compiled, maintained and distributed by Freddie Mac, containing names and other information concerning persons or entities that have been restricted or excluded from participating in transactions or doing business with Freddie Mac. The Exclusionary List is updated at least monthly by Freddie Mac.

Seller/Servicers can access the Exclusionary List under “Quick Links” on the [Originate and Underwrite](#) and [Asset Management](#) web pages.

Exempt Inspector

See Section 40.13(b).

Fee Inspector Company

See Section 40.14.

FHA Mortgage

An FHA Mortgage is a Mortgage insured by the FHA.

Final Delivery Instructions

The Final Delivery Instructions are a detailed list of required Loan Documents and other items which, depending on the specific features of a Mortgage, may be required to be included with the Final Delivery Package. The Final Delivery Instructions are set forth in the following documents:

- For all non-SBL and non-TEL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents”
- For SBL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents – SBL”
- For TEL Mortgages, the applicable document referenced below:



- Final Delivery Instructions and Final Delivery Package Table of Contents – Unfunded Forward Tax-Exempt Loan
- Final Delivery Instructions and Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan
- Final Delivery Instructions and Final Delivery Package Table of Contents – Immediate Funding Tax-Exempt Loan

Each of these documents are available at mf.freddiemac.com/lenders/purchase/.

Final Delivery Package

As further defined in Chapter 32, the Final Delivery Package is the complete set of the required Purchase and Servicing Documents set forth in Chapter 32 and in the Final Delivery Instructions, which set may be comprised of both hardcopies and electronic versions of such documents.

Financial Crimes

Crimes to obtain personal or business advantage or that may result in conversion of property. Such crimes are generally characterized by fraud, deceit, concealment, or violation of trust and typically do not depend on the application of threat or physical force or violence. Examples include fraud, bribery, money laundering, forgery, counterfeiting and terrorist activity financing.

First Lien

A First Lien is any lien that grants to the lienholder a claim against the Property that, under the law of the jurisdiction where the Property is located, is prior to the rights of all others, subject only to prior liens and encumbrances that Freddie Mac has expressly waived pursuant to Sections 29.2 and 29SBL.2.

First-Time Sponsor

See Sections 9.2(d) and 9SBL.2(c)(3).

Floating-Rate Mortgage

A Floating-Rate Mortgage, also known as an adjustable rate mortgage or ARM, is a Mortgage for which the interest rate is adjusted at specified intervals for the entire Mortgage term. A Floating Rate Mortgage may be amortizing or interest-only. Floating-Rate Mortgages must have either a Freddie Mac internal interest rate cap (“internal interest rate cap”) or a third-party interest rate hedge.

Foreign Guarantor

An individual or entity who signs a Guaranty for the Mortgage is considered a Foreign Guarantor if they are any of the following:

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



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

The requirements for a Foreign Guarantor are set forth in Sections 9.11 and 9SBL.2(e), as applicable.

Forward Commitment

Forward Commitment has the meaning provided in Section 19A.2, as supplemented by Chapter 25A for TEL.

Forward Commitment Maturity Date

The Forward Commitment Maturity Date is the date by which Conversion must occur unless extended pursuant to an extension approval letter.

Forward Commitment Property Inspection

A property inspection that is required prior to commitment for each Property under a Forward Commitment. The requirements for a Forward Commitment Property Inspection are set forth in Section 8.16. At the time of conversion, a complete property inspection is required.

Freddie Mac Access Manager

A Multifamily Software Application that enables Seller/Service providers who have registered and received Freddie Mac's authorization, to create, manage, and provision their users' access to certain servicing tools and applications.

Freddie Mac Approved Third Party Applications

Third party systems or software applications approved by Freddie Mac as provided in Chapter 2.

Freddie Mac Funding Date

The Freddie Mac Funding Date is:

- The date on which Freddie Mac disburses payment to the warehouse lender or the Seller for a Mortgage purchased by Freddie Mac under a cash program or product, or
- The settlement date for Mortgages purchased by Freddie Mac under a Multifamily Structured Transaction, or
- Execution by Freddie Mac of a Credit Enhancement Agreement in a bond credit enhancement transaction.

Freddie Mac Preservation

Freddie Mac Preservation is defined as Properties for which rent restrictions are in place through the Loan Agreement (e.g., Borrower-elected rent restrictions) or third-party, non-governmental rent restrictions. Freddie Mac Preservation rent restrictions may vary by product. TAH Mortgage products eligible for Freddie Mac Preservation include Non-LIHTC Preservation Rehabilitation and Non-LIHTC Forwards (see Sections 19.2 and 19A.2 and the TAH term sheets referenced therein). Workforce Housing Preservation is a Conventional Mortgage product eligible for Freddie Mac Preservation (see Section 17.6).



Freddie Mac Underwriting Value

The market value of a Property for purposes of Freddie Mac's underwriting and purchase of Mortgages, and for calculation of Loan-to-Value (LTV) Ratios in connection therewith, is the lower of appraised value as determined by a third-party appraiser or the value determined by Freddie Mac.

FreddieMac.com

FreddieMac.com is Freddie Mac's Internet home page. FreddieMac.com includes information about Freddie Mac's programs and products and makes multifamily Loan Documents and other Mortgage origination information available to Seller/Servicers at mf.freddiemac.com.

Funded Forward Commitment

See Section 28A.2.

General Loan Information

See Sections 40.11, 41.1(a), and 41SBL.1(a).

Gold PC

A Gold PC is a Participation Certificate (PC) in which the payments by Borrowers on the Gold PC Securitized Mortgages are passed through, with a payment delay of 45 days, to the holders of the Gold PCs.

Gold PC Securitized Mortgages

Gold PC Securitized Mortgages are Mortgages that are purchased under the Multifamily Negotiated Transactions Program or the Multifamily PC OneSM Program and are pooled in Gold PCs.

Governmental Entity

A Governmental Entity is an entity that is under Control of, under ownership of, is authorized by, or is itself a city, county, State, commonwealth, or federal government. With respect to subordinate debt, Freddie Mac considers a Governmental Entity to be an entity that provides third-party financing with the goal of expanding, preserving, maintaining, or otherwise promoting affordable multifamily housing.

Green Advantage[®]

Green Advantage[®] is a Freddie Mac suite of offerings providing benefits to Borrowers who have made or plan to make their Properties more energy and water efficient.

Green Assessment[®]

Green Assessment[®] is a report detailing proposed property-level improvements to promote utility consumption efficiency at the Property. It uses the ASHRAE Level 1 standard and otherwise meets the requirements set forth in Chapter 65. The report describes projected savings in terms of utility consumption and dollars saved per improvement item.



Green Assessment Plus®

Green Assessment Plus® is report that contains the same information as the Green Assessment® but provides a more detailed analysis of projected savings in terms of utility consumption and dollars saved at the Property. It uses the ASHRAE Level 2 standard and otherwise meets the requirements set forth in Chapter 65.

Green Certified

Green Certified is a benefit available for Properties that have a Green Building Certificate as set forth in Section 55.2 and that meet Freddie Mac affordability requirements.

Green Consultant

Green Consultant is a certified environmental design/inspection or engineering firm that meets the requirements set forth in Chapter 65.

Green Improvements

Green Improvements are the energy and water conservation measures selected by the Borrower from the list of qualifying conservation measures identified in a Green Report. These selected conservation measures are identified as Green Improvements in the Green Improvement Rider to the Loan Documents.

Green Rebate

Green Rebate is a benefit available to a Borrower who provides an ENERGY STAR® Score but has not chosen any other Green Advantage® offering.

Green Retrofits®

Green Retrofits is a loan option with benefits that may be available if the Borrower can certify that energy and/or water efficiency improvements are in place at the Property.

Green Up®

Green Up® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment®.

Green Up Plus®

Green Up Plus® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment Plus®.

Ground Lease

See Section 30.1.

Ground Lease Mortgage

See Section 30.1.



Ground Lessee

See Section 30.1.

Guarantor

Any person or entity that is liable under the Guaranty. (See also Foreign Guarantor)

Guide

The Guide is the official version of the Multifamily Seller/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 judgement to determine the Hazard category.

See also Life Safety Hazard.

Income and Expense Statement

The Income and Expense Statement is the actual or pro forma statement of income and expense items for a person, an entity, or a Property during a specified period of time.

Increased Mortgage Amount

For the purposes of the early rate lock delivery option and the early rate lock application, see Section 27.20.



Increased Scrutiny for Moisture or Mold Issues

Increased Scrutiny for Moisture or Mold Issues is a specific inspection protocol, set forth in Section 8.3(b), which is used to evaluate the risk of moisture or Mold issues in certain Properties.

Independent Director/Manager

Independent Director/Manager is an individual who is not affiliated with the Borrower, any SPE Equity Owner, Guarantor or any other Borrower Principal or any parties associated or affiliated with the foregoing parties. See the Loan Documents for a more complete definition.

Independent Living Property

See Section 21.2

Index Lock

See Section 27.1(b).

Index Lock Agreement

See Section 27.1(b).

Industry Trained Inspector

See Section 40.13(b).

Insurance Compliance Tool

A Multifamily Software Application for Sellers to submit documentation related to Borrower's insurance compliance.

Key Borrower Principal

Key Borrower Principal is:

- Any Guarantor, regardless of the amount of ownership interest in the Borrower and even if not in the organizational structure of the Borrower
- Seniors Housing Operator
- Any operator of the Property that is a Master Tenant under a master lease structure (e.g., a Delaware Statutory Trust or Shariah-compliant loan)
- Any person or entity that has Ultimate Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any Pre-Approved Transferee
- Any non-Controlling person or entity that meets both of the following conditions, including LIHTC Investors:



- Has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Is not owned by any other person or entity that also has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- If a trust meets the two conditions above, the following parties are also considered Key Borrower Principals:
 - The settlor (grantor) of a living or revocable trust
 - The beneficiary of an irrevocable trust if the beneficiary has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing, Operator, or Borrower-affiliated Master Tenant
- Any individual or entity that does not meet the criteria set forth above but who is determined by Freddie Mac to be a Key Borrower Principal. These may include individuals or entities defined as a Required Equity Owner in the Loan Agreement.

Except for a LIHTC Investor that is a U.S. publicly traded entity a Key Borrower Principal must submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

Leasehold Interest

See Section 30.1.

Legal Issues Analysis

See Sections 6.4. and Section 29.2.

Letter of Commitment

A Letter of Commitment or Commitment is the written indication that Freddie Mac has made an offer to the Seller to purchase a Mortgage. The Letter of Commitment and any amendments set forth the terms and conditions of the purchase transaction. For an early rate-lock delivery, a counter-signed early rate-lock application, with all modification and acceptance letters, takes the place of the Letter of Commitment. Letters of Commitment also include Forward Commitments.

LGBTQ+-Owned Business

An LGBTQ+-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more persons who identify as LGBTQ+; and
- At least 50 percent of the net profit or loss accrues to one or more persons who identify as LGBTQ+



“LGBTQ+” means any individual who identifies as lesbian, gay, bisexual, transgender, queer or questioning or +.

Life Safety Hazard

Life Safety Hazards consist of conditions that increase the possibility of personal injury or death. Traditionally, these hazards are associated with inadequate protections and often result from noncompliance with code requirements.

See also the definitions of Imminent Life Safety Hazard and Potential Life Safety Hazard, which apply to the post-purchase annual inspection of a Property. There is no comprehensive list of Imminent or Potential Hazards and the inspector must exercise judgement to determine the Hazard category.

LIHTC Investor

In a LIHTC transaction, each person or entity that has aggregate ownership (direct or indirect) of 50% or more of the Borrower’s limited partner. The LIHTC Investor expects to receive the benefit of the LIHTC and does not Control the Borrower.

LIHTC Syndicator

In a LIHTC transaction where the LIHTC investment is made through a syndicated LIHTC fund, the entity with Ultimate Control of the general partner of the LIHTC fund. In that capacity, the LIHTC Syndicator, for the benefit of the LIHTC fund and the LIHTC Investor(s), provides acquisition, underwriting, portfolio management, asset management and investor reporting services.

Linked Buildings

For SBL Mortgages, Linked Buildings are a Property comprised of buildings located on non-contiguous parcels. If the Property is comprised of non-contiguous parcels of land the transaction must be prescreened by Freddie Mac as required by Section 8SBL.6(c).

Limited Multifamily Experience Sponsor

See Section 9.2(d).

Liquid Assets

For the purposes of Seller/Servicer financial eligibility, see Section 3.3(a).

Otherwise, see Liquidity.

Liquidity

Cash, cash equivalents, Treasury bills, money market investments or certificates of deposit with maturities of one year or less, and marketable securities (such as stocks and bonds). Restricted assets, pledged accounts, and stocks or bonds for a company or municipality in default or bankruptcy must be excluded. All Liquidity must be measured in US Dollars.



Loan Agreement

The Loan Agreement is the Multifamily Loan and Security Agreement. The Loan Agreement sets forth the terms of the Mortgage, including the representations and covenants of the Borrower, the events of default, the securitization terms and the lender's remedies. There is also a specially designated Loan Agreement for use with Seniors Housing Mortgages.

Loan Documents

Loan Documents are the Freddie Mac Multifamily Loan Documents, the forms of which are posted at mf.freddiemac.com/lenders/legal/. 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 Management Form

See Section 40.2.

Loan-to-Value Ratio

The Loan-to-value Ratio is the relationship between the principal amount of the Mortgage and the value of the Property, expressed as a percentage of the value, as determined by Freddie Mac.

Malicious Code

[See Section 2.26\(c\).](#)

Mandatory Delivery Date

The Mandatory Delivery Date is the delivery date identified in the Letter of Commitment or early rate-lock application. The Seller must deliver the Final Delivery Package to Freddie Mac by noon Eastern time on the Mandatory Delivery Date.



Mandatory Funding Date

Unless otherwise agreed upon, the Mandatory Funding Date is the date which is 15 days after the Mandatory Delivery Date; provided, however, that if such day is not a Business Day, then the Mandatory Funding Date will be the Business Day immediately preceding such date.

Manufactured Housing Community Product

A program under which Freddie Mac Multifamily will purchase Mortgages secured by Manufactured Housing Communities, as described in Chapter 22.

Manufactured Housing Resident-Owned Community

See Section 22.1(b).

Master Forward Financing Agreement

The Master Forward Financing Agreement documents the general terms and conditions governing all Forward Commitments with a particular construction lender.

Master Tenant

A Master Tenant is the tenant that operates the Property under a master lease. A master lease structure is usually used in a Shariah compliant loan or Delaware Statutory Trust loan.

Material Modification

For the purposes of the early rate lock delivery option and the early rate lock application, a “Material Modification” is as defined in Chapter 27.

Material Vendor

With respect to one or more Mortgages owned by Freddie Mac (*i.e.*, from Freddie Mac’s purchase until securitization or other disposition of such Mortgage(s)), a vendor engaged by the Servicer while Servicing such Mortgage or Mortgages on behalf of Freddie Mac that has the potential to create information security risk or compliance risk for Freddie Mac.

Refer to the Material Vendors [Material Vendors web page](#) for more details and examples of Material Vendors.

MHC Tenant Protections

See Section 22.1(b).

MHC Tenant Protections Notification

See Section 22.2(p).

Minimum Consumption Savings Threshold

See Section 24.3(a).



Minimum Occupancy

The minimum number of units at the Property that must have current leases that comply with the provisions of the Loan Agreement in order for a Borrower to undertake or continue certain Property Improvement Alterations. The Minimum Occupancy is expressed as a percentage in the Loan Agreement.

Minimum Origination Fee

The Minimum Origination Fee is the minimum fee the Seller/Serviceicer must charge in connection with the origination of the Mortgage. The Minimum Origination Fee requirements are set forth in Section 17.1(f) for non-SBL Mortgages and in Section 18SBL.1(f) for SBL Mortgages.

Minority-Owned Business

A Minority-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more Minority individuals; and
- At least 50 percent of the net profit or loss accrues to one or more Minority individuals

“Minority” is any individual who is Black or African American, American Indian or Alaska Native, Hispanic (or Latino) American, Asian, or Native Hawaiian or other Pacific Islander

Modification Letter

The Modification Letter is used by Freddie Mac to propose material modifications to an early rate lock application.

Moderate Rehabilitation Mortgage

See Section 17.4.

Moisture Management Plan

An Moisture Management Plan is a plan provided by the Borrower to manage moisture or Mold issues at the Property in accordance with the requirements set forth in Section 8.3(a). If a Moisture Management Plan is required, the Moisture Management Plan must be maintained at the Property and be made available for verification at annual inspections. Additional information on the requirements for a Moisture Management Plan is in the [Moisture Management Plan Handbook](#)

Mold

Mold is a naturally occurring growth that is frequently dark in color with a musty odor. Mold feeds on organic material, and the growth of Mold is typically associated with damp or moist conditions. Mold is also referred to as fungus or mildew.



Mortgage

A Mortgage is a loan meeting the requirements of Section 1.2 and secured by a lien on real estate held in fee simple or on an acceptable leasehold estate. A Mortgage may also be a bond credit enhancement meeting the requirements of Chapter 28 or Chapter 28A, the mortgage loan securing a TEL meeting the requirements of Chapter 25 or Chapter 25A. When used alone in the Guide, and unless the context indicates otherwise, the term “Mortgage” is a multifamily Mortgage secured by a property containing five or more dwelling units.

The term "Mortgage" includes the Security Instrument (mortgage, deed of trust, or deed to secure debt), the Note, the evidence of title, and all other Loan Documents that evidence the Mortgage and includes, for bond credit enhancement transactions, the bond mortgage note, the bond mortgage, the reimbursement mortgage and the reimbursement agreement.

Mortgage Documents

See Loan Documents.

Mortgage Financial Terms

The Mortgage Financial Terms are the maximum Mortgage amount, Freddie Mac net spread, gross spread, term, amortization period (if applicable), interest only period (if applicable), prepayment terms, yield maintenance period (if applicable), lock out period (if applicable), treasury floor (if applicable), and any other relevant Mortgage financial terms as determined by Freddie Mac.

Mortgage File

The paper and electronic file or files required to be created and maintained for each Mortgage by the Seller/Servicer in accordance with Chapter 34, and any other applicable sections of the Guide.

Mortgages Purchased in Part

Mortgages Purchased in Part are Mortgages in which Freddie Mac has purchased or retained a participation interest.

Mortgages Purchased in Whole

Mortgages Purchased in Whole have been purchased in their entirety by Freddie Mac.

Multifamily Document Management System

See Document Management System.

Multifamily Eligibility System

A Multifamily Software Application for Seller/Service providers to submit monthly, quarterly and annual certifications, and update vendor inventory.

Multifamily Loan Documents

See Loan Documents.



Multifamily Securities Investor Access

A Multifamily Software Application that provides investors and analysts with information related to Freddie Mac Multifamily K-Deals[®], ML-DealsSM, Q-DealsSM, SB-Deals[®], and Multi PC[®] mortgage-backed securities and their underlying collateral.

Multifamily Software Applications

The software applications that Freddie Mac provides to the Seller/Servicer in connection with the sale and the servicing of multifamily Mortgages. The Multifamily Software Applications include the following:

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

Net Operating Income

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 Non-LIHTC Forwards, Preservation Rehabilitation Financing for Non-LIHTC Properties or Non-LIHTC Bridge, as the context may require.

Non-Scope Issues

See Section 61.2(b).

Non-U.S. Equity Holder

A Non-U.S. Equity Holder is any non-U.S. person or entity with a collective equity interest (whether direct or indirect) in Borrower equal to or exceeding 10 percent. A Non-U.S. Equity Holder is subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in this Guide including those identified in Chapters 2, 9, 41, 43, and 44.

A Non-U.S. Equity Holder that is a Key Borrower Principal is required to submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

A Non-U.S. Equity Holder with a 25 percent or greater interest in the Borrower will be considered a Borrower Principal.

All Non-U.S. Equity Holders must be named on the Organizational Chart.

Note

A Note is the instrument evidencing the indebtedness secured by a Security Instrument, and includes, for bond credit enhancement transactions, the reimbursement agreement evidencing the obligations secured by the reimbursement mortgage and the bond mortgage note evidencing the obligations secured by the bond mortgage.

Occurrence-based Policy Form

A policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made. Most property and commercial general liability insurance is written on an Occurrence-based Policy Form, which may also be referred to as a "per occurrence" policy form.

Operator

An Operator (sometimes referred to as the "Lessee") is an entity that operates the Property under a master operating lease. Operating leases are frequently used in the Seniors Housing industry. An Operator may be affiliated with the Borrower or may be an unrelated third-party Operator.



Opinion Analysis

See Section 29.5(c).

Optigo Lender

An Optigo Lender is a lender that meets Freddie Mac's eligibility requirements, including the net worth requirements in Section 3.3, and has been approved by Freddie Mac to sell multifamily Mortgages to Freddie Mac and to service those Mortgages. Optigo Lenders may be approved as one or more of the following designations:

- Optigo Conventional Lender
- Optigo TAH Lender
- Optigo SBL Lender
- Optigo Seniors Housing Lender

See Section 2.10 and Chapter 3 for more information concerning Optigo Lenders.

In the Guide, an Optigo Lender is referred to as a Seller/Servicer, Seller or Servicer.

Origination Date

The Origination Date is the date of the Note.

Organizational Chart

An Organizational Chart for the Borrower, Guarantor not in the Borrower's organizational structure, Master Tenant (if applicable) or Operator (if applicable) must include the elements set forth in the Guidance – Organizational Charts that can be found on mf.freddiemac.com.

Origination and Underwriting System

A Multifamily Software Application that automates the workflow involved in processing loan applications from receipt of the Loan Submission Template through the underwriting process.

Participation Certificate

A Participation Certificate represents an undivided interest in specified Mortgages purchased by Freddie Mac from a single Seller, either for cash or in exchange for Participation Certificates, and placed in a discrete pool bearing a unique Participation Certificate pool number. Participation Certificates are offered only in book-entry form.

Pledged Mortgage

See Section 33.1.



Portfolio Manager®

Portfolio Manager® is an online tool used to measure and track energy and water consumption at the Property. Portfolio Manager is located on the ENERGY STAR® website of the EPA.

Potential Life Safety Hazard

A Potential Life Safety Hazard is a hazard with a lower capacity to cause harm or consists of a condition that could become harmful. A Potential Life Safety Hazard is also of concern but does not represent the same immediacy of risk for tenants as an Imminent Life Safety Hazard. Potential Life Safety Hazards include conditions that will be recognized by most residents and avoided, including trip hazards or conditions that represent a risk only in special circumstances, such as an out-of-date fire extinguisher.

Potential Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Potential Life Safety Hazards and the inspector must exercise judgement to determine the Hazard category.

See also Life Safety Hazard.

PR-90 Repairs

See Sections 62.3(b) and 62SBL.3(b).

Pre-Approved Transferee

Any person or entity that is pre-approved by lender to assume Ultimate Control (direct or indirect) of Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant.

Preferred Equity

See Section 9.9(b).

Preferred Equity Return

See Section 9.9(b).

Preliminary legal issues memorandum

See Section 6.4.

Preservation Rehabilitation

See Section 19.2(e).

Principal

A Principal, for purposes of Freddie Mac's policy concerning the exclusion of certain persons from participating in transactions or doing business with Freddie Mac, may be:

- A Seller/Servicer, or



- A person with substantial management or supervisory responsibilities within a Seller/Service'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/Service's
- Officers, directors, owners, partners, key employees or other persons within a Seller/Service'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/Service, a third-party provider of services to a Seller/Service or an employee of a third-party provider of services. Persons who have a critical influence on or substantive Control over Mortgage purchase transactions or Servicing transactions or related functions include loan officers, underwriters, appraisers, inspectors, real estate agents and real estate brokers.

Priority Repairs

See Sections 62.3(b) and 62SBL.3(b).

Private Entity

A Private Entity is an entity such as a partnership, limited liability company, private real estate fund, LIHTC fund or private REIT whose shares are not traded on a public exchange. A Private Entity can Control who purchases the ownership interests in such entity.

Private Investment Fund

A U.S. private company that invests capital from different investors in various assets, including direct and indirect equity interests in real estate. To qualify as a Private Investment Fund, the entity must have each of the following:

- A minimum of \$50,000,000 in capital commitments
- Liquid assets of at least \$750,000
- A minimum net worth of \$5,000,000
- A management team with all of the following:
 1. At least 10 years of collective experience managing multifamily properties,



2. At least 10 multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively
3. At least \$100,000,000 in multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively

Private Transfer Fee

A Private Transfer Fee is any fee, charge or payment imposed by a Private Transfer Fee Covenant due in connection with a transfer of title to a Property. A Private Transfer Fee is payable each time a Property is transferred for a set period of time or indefinitely. The Private Transfer Fee can be a fixed amount or a percentage of the Property's sale price. A Private Transfer Fee does not include:

- A charge payable to the federal, State or local government
- A charge that defrays the actual cost of the transfer of the Property, such as transfer of membership in a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) or 501(c)(4) organization
- A charge payable to a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) and 501(c)(4) organization that is used exclusively to provide a direct benefit to the Property

Private Transfer Fee Covenant

A Private Transfer Fee Covenant is any covenant, restriction or other similar document that (i) purports to run with the land or to bind current and future owners whether or not such covenant is recorded and (ii) imposes a Private Transfer Fee upon transfer of all or part of the Property, as defined in 12 C.F.R. Part 1228. A Private Transfer Fee Covenant can be attached to a Property by the original developer or another third party.

Prohibited Substances

Prohibited Substances are any drugs or controlled substances whose use, manufacture, distribution or possession are prohibited by any law, whether federal, state or local law.

Project Loan

For a Cash Funded Forward Commitment, the Project Loan is Freddie Mac's loan to the construction lender.

Property

The Property is the land, improvements and fixtures that are, or will be, subject to the lien of a Mortgage.

Property Improvement Alterations

Alterations and additions to the improvements existing at or upon the Property, as more fully defined in the Loan Agreement. Repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents are not considered to be Property Improvement Alterations.



Property Improvement Alterations Notice

A notice to the lender from the Borrower pursuant to the terms of the Loan Agreement that the Borrower intends to begin the Property Improvement Alterations specified in the Property Improvement Alterations Notice.

Property Reporting System

See Section 40.2.

Public Company

A Public Company is a company whose shares are traded on a public exchange or an over the counter exchange. A Public Company does not Control who purchases its shares after the initial public offering. A pension fund that is not privately controlled is also a Public Company.

Public Records Searches

See Section 2.28.

Purchase Contract

The Purchase Contract is an agreement between the Seller and Freddie Mac covering the purchase of a specific Mortgage or Mortgages, the Seller's obligation to deliver such Mortgages on a mandatory basis (unless otherwise noted in the Letter of Commitment or early rate-lock application), the delivery period and the Servicing after Freddie Mac's purchase of the Mortgage. The Purchase Contract may be a

1. Purchase agreement
2. Letter of Commitment (as it may be amended) fully accepted by the Seller
3. Early rate-lock application (as modified or adjusted) fully accepted by Freddie Mac
4. Other offer by Freddie Mac to purchase, fully accepted by the Seller
5. Other offer by Seller to sell, fully accepted by Freddie Mac

Purchase Contract Date of Acceptance

The Purchase Contract Date of Acceptance is the date the Seller accepts Freddie Mac's offer as stated in a Purchase Contract.

Purchase and Servicing Documents

The Purchase and Servicing Documents applicable to a Mortgage are the following:

1. The Purchase Contract, including all Exhibits
2. The separate Servicing Agreement, if any



3. The official version of the Guide
4. Any agreement pursuant to which a Seller or affiliate of a Seller provides a guaranty or any form of credit enhancement in connection with the sale of Mortgages to Freddie Mac
5. Additionally, for Delegated TAH Mortgages, the Seller/Servicer's Delegated TAH Master Agreement and the TAH Guide in effect at the time of underwriting
6. Any Servicing transaction approval issued by Freddie Mac to a Servicer

The Guide and all of its terms are incorporated by reference into, and constitute part of, each Purchase Contract. A Seller must sell Mortgages in accordance with the terms of each Purchase Contract entered into between the Seller and Freddie Mac.

A Seller/Servicer must service each Mortgage that the Seller/Servicer has sold to Freddie Mac and has agreed to service for Freddie Mac in accordance with the standards set forth in the Guide (including amendments to Servicing provisions of the Guide that Freddie Mac has made since Freddie Mac purchased the Mortgage) and any applicable Purchase Contract. All of a Seller/Servicer's obligations to service Mortgages for Freddie Mac will be considered to constitute, and will be performed pursuant to, a unitary, indivisible master Servicing contract, and the Servicing obligations assumed under any Purchase Contract will be deemed to be merged into, and will be performed under, the same unitary, indivisible master Servicing contract. The Seller/Servicer agrees that any failure to service any Mortgage in accordance with the terms of the unitary, indivisible master Servicing contract, or any breach of any of the Seller/Servicer's obligations under any aspect of the unitary, indivisible master Servicing contract, will be deemed to constitute a breach of the entire contract and will entitle Freddie Mac to terminate the contract.

If a Servicer who services Mortgages for Freddie Mac is not also the Seller of the Mortgages to Freddie Mac, the Servicer must agree to service Mortgages for Freddie Mac by separate agreement, which incorporates the Guide and any applicable Purchase Contract by reference. In such case, the separate agreement shall be deemed to be one of the "Purchase and Servicing Documents," which constitute the unitary, indivisible master Servicing contract.

Quote

A Quote is Freddie Mac's non-binding statement of proposed Mortgage Financial Terms. A Quote does not require the Seller to submit a full underwriting package, nor does it bind Freddie Mac to purchase a Mortgage.

Rate Lock

Rate Lock is the procedure in which Freddie Mac agrees to hold the yield rate on the applicable U.S. Treasury index, net spread to Freddie Mac and Servicing Spread for a fixed rate Mortgage (Interest Rate Lock) and to hold the net spread to Freddie Mac and Servicing Spread for a Floating-Rate Mortgage (Spread Rate Lock).

Rate Lock Call

The Seller must call the person whose name is set forth in the Letter of Commitment or early rate lock application to Rate Lock and confirm all of the other terms of the Mortgage, including the term, amortization period and prepayment period. Even though the interest rate for a Floating-Rate Mortgage cannot be Rate Locked, the Seller must complete a Rate Lock Call in order to confirm all of the terms of the Mortgage.



Rate Reset

A Rate Reset Mortgage is a Mortgage with a five-year term, during which there is an option to extend the term of the Mortgage for an additional five years at a reset interest rate.

Rating Agencies

Rating Agencies are Fitch, Inc.; Moody's Investors Service, Inc.; Dominion Bond Rating Service (DBRS); Realpoint LLC; or Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor entity of the foregoing, or any other nationally recognized statistical rating organization.

Real Estate Owned

Real Estate Owned is property acquired through foreclosure or deed in lieu of foreclosure.

Redemption Date

See Section 9.9(c).

Regulatory Agreement

An agreement with a governmental entity that places income, rent or other use restrictions on all or selected units of a Property for a given period.

Rejection; Reject

A Rejection is Freddie Mac's determination that it will not accept the early rate lock application submitted by the Seller.

Repair Reserve

A Repair Reserve is a Reserve established to hold funds allocated for the completion of repairs, rehabilitation or incomplete items of construction. The Repair Reserve can be established by a Repair Escrow Agreement, a Repair and Escrow Agreement or by a Rider to the Loan Agreement that establishes a Repair Reserve.

Replacement Cost Value

See Section 31.1(d).

Replacement Reserve

A Replacement Reserve (also referred to as a Replacement Reserve Fund or Replacement Reserve Escrow) is a Reserve established to hold funds allocated for the replacement of capital items. A Replacement Reserve can be established by a Replacement Reserve Agreement or by a Rider to the Loan Agreement establishing a Replacement Reserve.

Required Net Yield

The Required Net Yield is the amount of interest Freddie Mac receives from each Mortgage it purchases.



Reserve

Reserve is all funds, other than principal and interest, collected to cover expenses to be paid under the Mortgage, including hazard insurance premiums and taxes, special assessments, ground rents, water and sewer charges, any other charges that are or may become first liens on the Property, payments for fees for a subsequent third-party interest rate cap agreement, and any other escrow or reserve established under the terms of the Mortgage or the Loan Documents.

Restricted Multiple Asset Entity

As further defined in Chapter 9SBL, a Restricted Multiple Asset Entity is a Borrower that is structured so that it:

- Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property (as defined in the Security Instrument), the Permitted Property (as defined in the Loan Agreement – SBL), and such Personalty (as defined in the Security Instrument) as may be necessary for the operation of the Mortgaged Property and the Permitted Property and will conduct and operate its business as presently conducted and operated
- Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and the Permitted Property and activities incidental to such ownership, operation and maintenance

Restricted Non-Residential Use

A Restricted Non-Residential Use is any use or operation of the leased premises that may adversely impact (i) the health and safety of the tenants or other individuals at the Mortgaged Property, or (ii) the value, occupancy or rents of the Mortgaged Property, all as determined by Lender in Lender's discretion. Restricted Non-Residential Uses include the following:

- The disposition, distribution or sale of Prohibited Substances or any establishment whose primary business is the sale of merchandise normally used or associated with Prohibited Substances
- Any establishment whose primary business is the disposition, distribution, sale or viewing of adult or pornographic materials or activities, including strip clubs and adult bookstores
- Any use involving the disposition or sale of Hazardous Materials
- Any establishment whose primary business is gambling or off-track betting
- Any establishment whose primary business is the sale of alcoholic beverages for off-site consumption

Risk Rating

A designation Freddie Mac gives to a Mortgage to reflect Freddie Mac's current risk outlook associated with the Mortgage. Risk Ratings for all Mortgages in the retained portfolio are currently between three and 10 with three deemed the lowest level of risk associated with a Mortgage and 10 being the highest level of risk.



Scheduled Interest

Scheduled interest is the monthly interest scheduled to be paid under the amortization schedule applicable to the Mortgage.

Scheduled Principal

Scheduled Principal is the monthly principal scheduled to be paid under the amortization schedule applicable to the Mortgage, calculated in accordance with Section 53.1.

Schedule of Values

See Section 31.1(d).

Scope Issues

See Section 61.2(b).

Securitization

Securitization is the transaction in which the Note for a Mortgage is assigned to a REMIC (Real Estate Mortgage Investment Conduit), grantor trust or partnership trust.

Security ~~Breach~~ Incident

See Section 2.26(c).

Security Instrument

A Security Instrument is an instrument (mortgage, deed of trust, deed to secure debt) creating a valid lien on real estate.

Seller

Unless the context otherwise requires it, the term "Seller," as used in the Guide and the other Purchase and Servicing Documents, refers to an Optigo Lender or a Multifamily Structured Transaction Lender acting in its capacity as a Seller of Mortgages to Freddie Mac.

Servicer

Unless the context otherwise requires it, the term "Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to an entity acting in its capacity of Servicing multifamily Mortgages for Freddie Mac. A Servicer may be an Optigo Lender, a Multifamily Structured Transaction Seller/Servicer, a Servicer approved on a Servicing-only basis, or a Servicing Agent.

Seller/Servicer

Unless the context otherwise requires it, the term "Seller/Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to a Seller, a Servicer or an Optigo Lender.



Seller Application

Seller Application is the application between the Seller/Servicer and the Borrower for the Seller/Servicer to make a loan to the Borrower to be secured by the Property and to be sold to Freddie Mac.

Seniors Housing Liability Assessment

See Section 21.2.

Seniors Housing Mortgage

See Section 21.2.

Senior Management

A natural person who serves as one of the following positions for a Seller/Servicer:

- Owner
- President
- Vice President or other officer in charge of managing or overseeing any aspect of the Seller/Servicer's Freddie Mac business
- Chief Executive Officer (CEO)
- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- Chief Information Officer (CIO), Chief Technology Officer (CTO), or Chief Information Security Officer (CISO)
- Chief Risk Officer (CRO)
- Corporate Secretary
- General Counsel
- Director
- Chairman of the Board
- General Partner; or
- Member or manager of an LLC

Servicing

Servicing is the performance of applicable obligations described in the Purchase and Servicing Documents, including tasks necessary to maintain Mortgages sold to Freddie Mac in a manner that protects Freddie Mac's interests.

Servicing Agent

A Servicing Agent is a Servicer that has received Freddie Mac's authorization to act on behalf of another Servicer in Servicing Mortgages purchased by Freddie Mac. This role may also be referred to as a



“subservicer” provided, as used in this definition, the reference to “subservicer” will not be construed to have the same meaning as such term is used in connection with a Securitization.

Servicing Spread

For TEL Mortgages, the Servicing Spread is the fee payable by the Borrower to the Servicer under the project loan agreement and specified by Freddie Mac in the Letter of Commitment.

For all other Mortgages, the Servicing Spread is the amount of the interest income received and retained by the Servicer as compensation for servicing a multifamily Mortgage purchased by Freddie Mac. Freddie Mac specifies the Servicing Spread in the Purchase and Servicing Documents.

Shared Access Agreement

A Shared Access Agreement is an agreement that provides for access to a Property via an easement or private road.

Shared Use Agreement

A Shared Use Agreement is an agreement that provides for the sharing, joint use and maintenance of Recreational Facilities and/or Essential Facilities.

Single Asset Entity

An Single Asset Entity is a Borrower that is structured so that it:

- Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property and such Personal as may be necessary for the operation of the Mortgaged Property and will conduct and operate its business as presently conducted and operated
- Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and activities incidental to such ownership, operation, and maintenance

Single Counsel

For SBL Mortgages, as further described in Chapter 6SBL, Single Counsel represents Freddie Mac and Seller/Servicers jointly in the origination, delivery and purchase of SBL Mortgages.

For TEL Mortgages, as further described in Chapters 25 and 25A, Single Counsel represents Freddie Mac and Seller/Servicers jointly in the origination, delivery and purchase of TEL Mortgages.

Single Purpose Entity

An Single Purpose Entity is a Borrower or SPE Equity Owner that is structured with a single purpose and usually owns only one asset to avoid becoming insolvent due to its owner’s conduct and that is insulated from harmful effects of the insolvency of others.



Significant Repairs or Replacements

Significant Repairs or Replacements are those that must be completed in order to protect the tenants from Life Safety Hazards, prevent significant physical or functional decline of the Property and/or negatively impact the value of the Property. Examples of Significant Repairs or Replacements include repairs or replacements to

- Structural elements such as framing, foundations, balconies, and stairs
- Major building systems, such as boilers, HVAC, electrical, plumbing, and elevators
- Defects that negatively impact the Property's habitability or income potential

Skilled Nursing Property

See Section 21.2.

Small Balance Loan Production Pipeline Manager

A Multifamily Software Application that enables Sellers and Freddie Mac to monitor the progression of Small Balance deals.

Soft Subordinate Debt

See Section 19.2(f).

SPE Equity Owner

An SPE Equity Owner is a Delaware single member limited liability company or a corporation that acts as a general partner of a limited partnership Borrower or as the managing member of a limited liability company Borrower. The concept of an SPE Equity Owner is not applicable if the Borrower is a Delaware single member limited liability company that is a Single Purpose Entity or if the Borrower is a corporation.

Special Moisture or Mold Issues Inspection

A Special Moisture or Mold Issues Inspection is a specific inspection protocol, set forth in Section 8.3(c), which is used to evaluate existing moisture or Mold issues.

Special Servicing Request

A Special Servicing Request is a Borrower request for Freddie Mac approval of certain Borrower actions. For example, a Special Servicing Request is required for a Transfer of Ownership, Subordinate Financing, a request for a partial release, the grant of an easement, certain changes to the Repair Reserve or Replacement Reserve, and a waiver of the insurance requirements.

State

As used in this Guide, the term "State" includes the District of Columbia, Guam, Puerto Rico and the Virgin Islands as well as the 50 states.



Student Housing Property

A Student Housing Property is a multifamily Property with a student occupancy rate of more than 50 percent. These Properties cater to a student tenant base because of proximity to colleges or universities and may have been constructed as “Purpose Built/Dedicated Student Housing,” or they may be conventional multifamily Properties currently targeted for student tenants.

Stand-Alone Memory Care Property

See Section 21.2.

Subordinate Financing

Subordinate Financing is any Mortgage or other lien that is subordinate to the lien of the first Mortgage on the Property.

Supplemental Mortgage

See Section 20.1.

Suspicious Activity

Activity that a Seller or Servicer reasonably believes may involve actual or possible money laundering, terrorist financing, mortgage-related fraud or other financial crimes, and which is undertaken by any party involved in any stage of the origination, underwriting, or Servicing of a Freddie Mac Mortgage.

Targeted Affordable Housing Mortgage

A Mortgage originated under either of the following:

- Targeted Affordable Housing (TAH) prior approval model, described in the Multifamily Seller/Servicer Guide
- Delegated Underwriting Model for TAH, described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide)

Tax Exempt Bond Credit Enhancement Mortgages

Tax Exempt Bond Credit Enhancement Mortgages are Mortgages that are used as collateral for tax exempt bond transactions in which Freddie Mac has entered into a Credit Enhancement Agreement in a specially negotiated transaction.

Tax-Exempt Loan

A Tax-Exempt Loan is originated under Chapter 25 or Chapter 25A.

Title Agent

An approved agent or agency authorized by the Title Insurance Underwriter to write or issue a Title Policy.



Title Company

Individually and/or collectively, any Title Insurance Underwriter, Title Agent, and/or escrow and settlement company that is issuing a Title Policy, recording documents and/or performing escrow and settlement functions in connection with a Mortgage transaction. When a Title Insurance Underwriter and a Title Agent are handling separate matters for a Mortgage closing, the term Title Company will include both such parties.

Title Insurance Underwriter

An entity that underwrites and issues, or authorizes issuance of, a Title Policy or, as applicable, reinsurance or coinsurance for a Title Policy, that is the party insuring the risks addressed by the Title Policy or such reinsurance or coinsurance, and which is licensed to do business in the jurisdiction where the Property is located (unless such jurisdiction is Iowa) and regularly issuing title insurance in such jurisdiction. A Title Insurance Underwriter may also authorize its Title Agent to write a Title Policy.

Title Policy

A single paid-up loan title insurance policy meeting (a) for each non-SBL Mortgage, the requirements in Chapter 29 and the [Title Policy and Endorsement Requirements](#), or (b) for each SBL Mortgage, the requirements in Chapter 29SBL.

Total Insurable Value

See Section 31.1(d).

Transfer of Ownership

For the purposes of Chapter 41, Transfers of Ownership and Chapter 41SBL, SBL Transfers of Ownership is any conveyance or other transfer of (a) an interest in the Property (including fee simple title or a Mortgage or other lien) or (b) an interest in the Borrower entity, which conveyance or transfer, if carried out without Freddie Mac's prior written approval, would violate a due-on-transfer provision or prohibition on Subordinate Financing contained in the Loan Documents.

Transfer of Servicing

See Section 42.2(a).

Ultimate Control

Ultimate persons or entities that have Control (direct or indirect) of an entity. A party with Ultimate Control must be one of the following:

- An individual,
- Private Investment Fund,
- A revocable trust (including the settlor/grantor and trustee of the revocable trust), or
- A U.S. public company (U.S. publicly traded entity).



If an individual or entity is a Control party in a Private Investment Fund which is a Key Borrower Principal, then that individual or entity must be disclosed and will be subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in the Guide, including those identified in Chapters 2, 9, 41, 43 and 44.

Unfunded Forward Commitment

See Section 28A.2.

Value-Add Mortgage

See Section 17.2.Add

Veteran-Owned Business

A Veteran-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more Veterans; and
- At least 50 percent of the net profit or loss accrues to one or more Veterans

“Veteran” has the meaning defined in 38 C.F.R. § 3.1(d).

Web Searches

Web Searches are search engine reviews that are performed on the Property, Borrower, Borrower Principals, Non-U.S. Equity Holders, and property management company to identify Financial Crimes, litigation, negative credit events and events that would create reputational risk for Freddie Mac.

Weighted-Average Coupon

The Weighted-Average Coupon of any group of Mortgages is calculated by:

- Multiplying the purchased unpaid principal balance of each Mortgage by the Coupon Rate of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of the products by the aggregate purchased unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the Weighted-Average Coupon is conclusive.

Weighted-Average Remaining Maturity

The Weighted-Average Remaining Maturity of any group of Mortgages is calculated by:



- Multiplying the unpaid principal balance of each Mortgage by the number of months remaining to maturity of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of all the products by the aggregate unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the Weighted-Average Remaining Maturity is conclusive.

Women-Owned Business

A Women-Owned Business is an entity within the Borrower structure or having direct or indirect Control of Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more women; and
- At least 50 percent of the net profit or loss accrues to one or more women

Workforce Housing Preservation

Workforce Housing Preservation is a Conventional Mortgage product designed to preserve middle-income rental housing stock by restricting rents through Borrower-elected rent restrictions in the Loan Agreement or third-party, non-governmental rent restrictions subject to Freddie Mac review and approval of the third-party agreement terms. See Section 17.6.

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.



Commonly Used Acronyms

AIF

Annual Inspection Form

AMI

Area Median Income

AML

Anti-Money Laundering

ARM

Adjustable-Rate Mortgage

ASTM

American Society for Testing and Materials. See Chapters 61, 62, 64 and 66.

CCRC

Continuing Care Retirement Community

C-PACE

Commercial Property Assessed Clean Energy

Co-op

Cooperative

CRT

Consent Request Tracker

DCR

Debt Coverage Ratio

DDLPI

Due Date of Last Paid Installment



DBRS

Dominion Bond Rating Service

DMS

Document Management System

ECOI

Equity Conflict of Interest

EGI

Effective Gross Income

EPA

The United States Environmental Protection Agency

EPSH

Employer Enabled Permanent Supportive Housing

FAM

Freddie Mac Access Manager

FHA

Federal Housing Administration

FIC

Fee Inspector Company

GLI

General Loan Information

ICT

Insurance Compliance Tool

LIA

Legal Issues Analysis



LIHTC

Low-Income Housing Tax Credit

LMF

Loan Management Form

LST

Loan Submission Template

LTV

Loan-to-Value

MAE

Multiple Asset Entity

MES

Multifamily Eligibility System

MHC

Manufactured Housing Community

MHROC

Manufactured Housing Resident-Owned Community

MMP

Moisture Management Plan

MSIA

Multifamily Securities Investor Access tool

MTNA

Mortgage Transaction Narrative Analysis

NOI

Net Operating Income



OFAC

Office of Foreign Assets Control

OUS

Origination and Underwriting System

PC

Participation Certificate

PLIM

Preliminarily Legal Issues Memorandum

PPM

Small Balance Loan Production Pipeline Manager

PRS

Property Reporting System

RCV

Replacement Cost Value

REIT

Real Estate Investment Trust

REO

Real Estate Owned

Restricted MAE

Restricted MAE

S&P

Standard and Poor's

SAE

Single Asset Entity



SBL

Small Balance Loan

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