

# Multifamily Seller/Service Guide PDF

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Current as of 02/27/2025

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This PDF of the Freddie Mac *Multifamily Seller/Service Guide* (“Guide”) is **current** as of Bulletin M2025-1, published on **02/27/25**.

## Compilation of Guide chapters

This PDF is a compilation of each Guide chapter, the Glossary and the Directory. The footers are updated by chapter and reflect the most recent revision date of each chapter (by reference to the date of the most recent Bulletin applicable to that chapter).

## Official electronic version of the Guide available on AllRegs®

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

# Freddie Mac and Seller/Service Relationship

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Chapters 1-7

# Multifamily Seller/Servicer Guide

## Chapter 1 Introduction



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

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

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

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

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

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

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

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

## 1.3 Legal effect of the Multifamily Seller/Servicer Guide (02/27/25)

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

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

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

The *Multifamily Seller/Servicer Guide* (the Guide) is one of the Purchase and Servicing Documents. Freddie Mac may publish the Guide under license to an authorized publisher. Certain versions of the Guide, as published by Freddie Mac or an authorized publisher, will be subtitled "Official Version" and will contain the following statement on the first data screen: "This is an official version of *the Multifamily Seller/Servicer Guide*, published by Freddie Mac or under license from, and in cooperation with, Freddie Mac." An "Official Version" of the Guide is one of the Purchase and Servicing Documents. In contrast, any publication or reproduction of the Guide that is not designated as an "Official Version" is not one of the Purchase and Servicing Documents and may not be relied upon by Freddie Mac, a Seller or a Servicer in determining or fulfilling their legal obligations to each other.



The Guide and all of its terms are incorporated by reference into, and constitute a part of, each Purchase Contract. A Seller must sell Mortgages in accordance with the terms of each Purchase Contract entered into between the Seller and Freddie Mac.

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

A Seller/Servicer acknowledges that Freddie Mac's agreement to purchase Mortgages from the Seller/Servicer pursuant to any individual Purchase Contract is based in part upon the Seller/Servicer's agreement that the Mortgages purchased will be serviced by the Seller/Servicer pursuant to the unitary, indivisible master Servicing contract. Any failure to service any Mortgage in accordance with the terms of the unitary, indivisible master Servicing contract, or any breach of any of the Seller/Servicer's obligations under any aspect of the unitary, indivisible master Servicing contract, will be deemed to constitute a breach of the entire contract and will entitle Freddie Mac to terminate the contract.

If a Servicer that services Mortgages for Freddie Mac is not also the Seller of the Mortgages to Freddie Mac, the Servicer must agree to service Mortgages for Freddie Mac in accordance with the unitary, indivisible master Servicing contract, which incorporates the Guide and any applicable Purchase Contract by reference.

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

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

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

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



**c. Copyright (02/27/25)**

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

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

**d. Reliance (12/05/03)**

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

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

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

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

**f. Severability (05/01/14)**

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

**g. Effective dates (02/06/04)**

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



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

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

#### **i. Entire agreement (02/06/04)**

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

#### **j. Governing law (05/01/14)**

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

#### **k. Notice (06/30/16)**

Unless otherwise specified in the Guide

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

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

#### **l. Damages (02/07/03)**

Freddie Mac's liability for any losses, claims, actions, damages, suits, costs or expenses (including attorneys' fees) that may be incurred by a Seller/Servicer as a result of a delay or failure in the transfer of funds in connection with the purchase or the Servicing of a Mortgage will be limited to any direct damages that result from such failure or delay. Freddie Mac will

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not be liable for any special, indirect or consequential damages resulting from any such delay or failure.

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

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

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

### **a. Organization (10/12/17)**

The body of the Guide consists of the following:

1. An introduction
2. General Freddie Mac policies
3. Seller/Servicer requirements and warranties and Freddie Mac's policy for suspension or termination of a Seller/Servicer
4. Specific Mortgage purchase programs and products
5. General Mortgage eligibility and credit underwriting requirements
6. Title insurance, legal description, survey, leasehold, insurance and documentation delivery requirements, along with secured lending arrangements and requirements for retention of Mortgage files
7. General Freddie Mac Servicing policies
8. Mortgage Servicing, including compensation, Reserve requirements, prepayments, risk assessments, Transfers of Ownership and transfers of Servicing
9. Nonperforming Mortgage Servicing, including Delinquency, foreclosure and Real Estate Owned
10. Freddie Mac remedies, including repurchases and termination of Servicing
11. Accounting and reporting requirements
12. Documentation and deliveries to be submitted to Freddie Mac at underwriting or Transfer of Ownership
13. Third party reports requirements
14. The Glossary



15. Exhibits referenced in the Guide
16. Numbered forms referenced in the Guide
17. The Guide Directory

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

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

**c. Design features (03/31/11)**

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

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

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

Exhibits are numbered consecutively.

**e. Headings (12/05/03)**

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

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

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

## **1.7 Number and gender (12/05/03)**

Unless the context otherwise requires, in the Guide:

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





## **1.8 Identification of forms (12/05/03)**

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

## **1.9 Warranties (12/05/03)**

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

## **1.10 Trademark acknowledgments (02/07/08)**

Word® is a registered trademark of the Microsoft Corporation.

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

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

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

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

### **a. Defined terms (03/03/14)**

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

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

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

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

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

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





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

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

# Multifamily Seller/Servicer Guide

## Chapter 2

### General Freddie Mac Policies



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## **2.1 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 the Multifamily Fraud Investigative Unit in writing at [MF Mortgage Fraud Reporting@freddiemac.com](mailto:MF_Mortgage_Fraud_Reporting@freddiemac.com).

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

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

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

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

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

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

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

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

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



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

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

## 2.7 Freddie Mac audit (12/12/24)

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

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

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

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

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

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

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

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

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

See also the provisions in Chapters 46SBL and 47.



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

Freddie Mac may provide the Seller/Servicer with information and documentation that Freddie Mac has identified as "confidential information" or "confidential." Such confidential information includes information and documentation concerning the development, negotiation, operation or terms of various products, programs, technology, business terms, trade secrets, certain commercial and financial information, and "material inside information" within the meaning of the federal securities laws. Confidential information may also include confidential information belonging to third parties.

1. The Seller/Servicer must treat all confidential information and all information or materials prepared from confidential information, defined as "derivative information," as strictly confidential and proprietary. The Seller/Servicer must not release or disclose or permit the release or disclosure of all or any part of the confidential information or the derivative information for any purpose at any time except to the extent:

- Allowed by this section
- Expressly required or consented to by Freddie Mac in writing, or
- Ordered by a court or administrative agency

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

2. Unless the Seller/Servicer has obtained prior written consent from Freddie Mac, the Seller/Servicer must not copy or permit copies to be made of all or any part of the confidential information or the derivative information except to the extent necessary for Servicing the Mortgages or fulfilling any other obligations to Freddie Mac. The Seller/Servicer must mark "Confidential" in a prominent location on all confidential information, derivative information and on all copies.
3. The Seller/Servicer may provide confidential information or derivative information to those officers, directors, principals, partners or employees of the Seller/Servicer and its regulators, auditors, counsel and accountants to the extent necessary to Service the Mortgages. The Seller/Servicer must notify any individuals receiving confidential information or derivative information that the individual has the same obligations as the Seller/Servicer to keep the confidential information or derivative information confidential.
4. Confidential information and derivative information do not include any information that is:
  - Generally available to the public
  - Provided to the Seller/Servicer by a third party that is not itself under a confidentiality obligation with respect to the information, or



- Independently developed by the Seller/Servicer without use of any portion of the confidential information

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

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

Freddie Mac Multifamily Loan Documents are available to Seller/Servicers in the Multifamily Loan Documents section of [mf.freddiemac.com/lenders/legal/](http://mf.freddiemac.com/lenders/legal/).

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

Freddie Mac legal forms that are not available at [mf.freddiemac.com/lenders/legal/](http://mf.freddiemac.com/lenders/legal/) are available from the applicable Freddie Mac *Multifamily Attorney*.

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

### **a. Optigo® Lenders (06/27/19)**

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

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

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

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

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

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

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

- The Optigo Lender has not modified any Freddie Mac Multifamily or Optigo trademarks or registered marks.





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

#### 4. Approval to link to online Freddie Mac resources

An Optigo Lender may post direct web links from its branded webpage to Optigo program terms located on [mf.freddiemac.com](http://mf.freddiemac.com).

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

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

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

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

#### **c. Other entities (06/27/19)**

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

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

Optigo Lenders must submit requests to use the Freddie Mac Multifamily or Optigo graphics to the Freddie Mac Corporate Branding Group via the "Logo Use Permission" section of [mf.freddiemac.com](http://mf.freddiemac.com), [http://www.freddiemac.com/terms/logo\\_use.html](http://www.freddiemac.com/terms/logo_use.html).

Optigo Lenders must send co-marketing requests, including requests to use the Freddie Mac name, to Multifamily Marketing at the [multifamily\\_marketing@freddiemac.com](mailto:multifamily_marketing@freddiemac.com).

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



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

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

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

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

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

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

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

- Consent Request Tracker (CRT)
- Document Management System (DMS)
- Freddie Mac Access Manager (FAM)
- General Loan Information (GLI)
- Insurance Compliance Tool (ICT)
- Multifamily Eligibility System (MES)
- Multifamily Securities Investor Access tool (MSIA)
- Multifamily Seller/Servicer Guide via AllRegs® Online (Guide)
- myOptigo<sup>SM</sup>
- Origination and Underwriting System (OUS)
- Property Reporting System (PRS)
- Small Balance Loan Production Pipeline Manager (PPM)

Freddie Mac further authorizes each Seller/Servicer to use Freddie Mac Approved Third Party Applications for the delivery of information and documentation to Freddie Mac. Such Freddie Mac Approved Third Party Applications may require the Seller/Servicer to enter into



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

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

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

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

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

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

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

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

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

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

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

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



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

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

**2.13 System administrator requirements (12/12/24)**

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

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

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

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

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

The system administrator is required to identify:

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

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

- Enter the user's contact information in FAM, to provide access to myOptigo<sup>SM</sup> for Investor Reporting, and the Multifamily secure content
- Enter the user's contact information in both FAM and in OUS, to provide access to OUS
- Complete the DMS New User Setup, Reactivation and Deactivation form and submit it to [MF\\_Service\\_Desk@freddiemac.com](mailto:MF_Service_Desk@freddiemac.com), to provide access to or reactivate user access to DMS
- Enter the user's contact information in FAM, complete the Insurance Compliance Tool (ICT) User Access Request, and submit it to [MF\\_Service\\_Desk@freddiemac.com](mailto:MF_Service_Desk@freddiemac.com), to provide



access to the ICT

- Enter user information into PRS to manage access to that software application
- Enter user information into MES to manage access to that software application
- Confirm or revoke requests for user access to CRT as appropriate
- Work with the third-party service provider to manage user access for the applicable Freddie Mac Approved Third Party Application

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

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

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

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

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



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

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

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

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

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

## **2.14 Electronic Signatures, Electronic Records, and data security (02/27/25)**

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

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

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

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

- **Computer Systems**

All computers, servers, fax machines, other Electronic devices, hardware, web sites, Internet, private networks, telephone lines or wireless communications, together with software applications, security measures, proprietary coding, interfaces and/or connectivity used to create, present, sign, transfer, transmit, send, submit, deliver,



receive, retrieve, maintain, and/or store Records, Electronic Records or Electronic Signatures in order to engage in and/or conduct Electronic Transactions

- **Computer Contagion**

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

- **Electronic**

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

- **Electronic Record**

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

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

- **E-SIGN**

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

- **Electronic Signature**

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

- **Electronic Transaction**

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

- **Host**

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





- **ISP**

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

- **Record**

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

- **UETA**

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

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

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

**d. Security standards (06/13/24)**

**1. Minimum standards**

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

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

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

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



**e. Compliance with security standards (12/12/24)****1. Minimum security standards**

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

**2. Notification of Security Incident**

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

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

**3. Failure to adopt or maintain standards**

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

**4. Seller/Servicer responsibility**

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

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



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

1. The Seller/Service's consents to the use of Electronic Records and/or Electronic Signatures whenever expressly required or permitted by Freddie Mac.
2. The Seller/Service's agrees to adopt any Electronic Signature required or provided by Freddie Mac.
3. The Seller/Service's 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's 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's 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's 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's representation or warranty regarding the same.
5. Before Freddie Mac requires or permits the Seller/Service's 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's must ensure that it complies with those requirements.
6. The Seller/Service's agrees that it is able to readily print, store and retrieve any Electronic Record transmitted by Freddie Mac to it; and the Seller/Service's is able to transmit or submit Electronic Records to Freddie Mac.
7. The Seller/Service's 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's 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/Servicer's failure to comply with Freddie Mac's requirements in connection with conducting an Electronic Transaction with Freddie Mac; or
4. The Seller/Servicer's repudiation of the Seller/Servicer's Electronic Signature affixed to, attached to, or otherwise logically associated with a Record (or copy thereof) delivered to Freddie Mac; or
5. A breach of Seller/Servicer's representations and warranties under Section 2.14(j)(2), with respect to any Record delivered by Seller/Servicer to Freddie Mac bearing an Electronic Signature from a Borrower, Borrower Principal, guarantor, or their respective legal representatives/signatories.

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

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

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

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

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

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

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

1. Subject to Section 2.14(j)(2), Freddie Mac will accept Electronic Signatures of Borrowers, Borrower Principals, guarantors, or their respective legal representatives/signatories (as applicable), on all numbered Guide forms, except to the extent otherwise indicated on such form or requested by Freddie Mac.
2. If a Seller/Servicer elects to deliver to Freddie Mac a Record identified in Section 2.14(j)(1) signed with an Electronic Signature, the Seller/Servicer represents and



warrants as follows with respect to each such Record:

- The Seller/Servicer has conducted prior due diligence on all software and processes involved in producing the Borrower's Electronic Signature on such Record, and has confirmed that such software and processes create valid, enforceable and effective Electronic Signatures in compliance with E-SIGN and UETA. The due diligence and confirmation process includes having all necessary electronic systems and processes reviewed by internal or external technology and security experts and legal experts.
- The delivered Record is a valid, enforceable and effective Electronic Record, in compliance with E-SIGN and/or UETA, as applicable.

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

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

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

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

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

**m. Governing law (06/30/16)**

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

**n. Conflict (06/30/16)**

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



## 2.15 Standard of care (02/07/08)

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

## 2.16 Payment instructions (04/30/19)

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

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

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

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

## 2.18 Freddie Mac Exclusionary List (12/12/24)

### 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 (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](mailto:elist_confirmation@FreddieMac.com) regarding:

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

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

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

The Seller/Servicer must 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 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 production or credit decision that is part of the origination or Servicing of a Freddie Mac Mortgage
- Is responsible for the receipt or remittance of funds in connection with the sale of a Mortgage to Freddie Mac
- Reports, remits or processes Mortgage payments
- Performs property inspections for Freddie Mac Properties



- Manages Custodial Accounts and/or performs custodial fund accounting for Freddie Mac Mortgages

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

**i. Reporting obligations of the Seller and Servicer (12/12/24)**

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 (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](mailto:Multifamily_Eligibility@freddiemac.com) within five Business Days of the Seller/Servicer becoming aware of any non-compliant or potential non-compliant activity regarding any applicable law or Freddie Mac requirement that is conducted, or may be conducted, by or on behalf of the Seller/Servicer.

**b. Chief Compliance Officer (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 (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 origination or Servicing a Mortgage or REO are outsourced or assigned, and must consult the [Multifamily Restricted Vendor List](#) 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](http://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, 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/Serviceirs but will be subject to the additional conditions described in the Vendors With Conditions List.

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

### **a. Business Continuity Plan (12/12/24)**

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

Seller/Serviceirs 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/Serviceir’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/Serviceir facility
- Geographically dispersed work areas and resources available in the event of a regional disruption
- Documented procedures for crisis management, plan invocation and activation of recovery sites
- Identification of all mission-critical systems, external dependencies, network diversity, vital records, personnel and the provisions in place to ensure their continued availability
- Standards and controls that are appropriate for customers participating in the critical financial services markets

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

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



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

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

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

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

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

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

If, at any time during the investigation of the Business Disruption, there is reason to believe that there has been a Security Incident, as defined in Section 2.26(c), the Seller/Service provider must follow the requirements in Section 2.26(c).

Business Disruption notification requirements	
The Seller/Service provider must...	
1.	Immediately, and in no event later than 24 hours after the Business Disruption is discovered notify Freddie Mac of the Business Disruption via email at <a href="mailto:multifamily_eligibility@freddiemac.com">multifamily_eligibility@freddiemac.com</a> and:
1a.	Provide the name, phone number and email address of the contact leading the Business Disruption investigation
1b.	Promptly investigate, correct and/or mitigate the Business Disruption at the Seller/Service provider's expense, including by identifying Freddie Mac information affected by the Business Disruption and preventing the continuation and recurrence of the Business Disruption
1c.	Provide Freddie Mac with such information as Freddie Mac may reasonably request to evaluate the effect of the Business Disruption on Freddie Mac and Freddie Mac's operations
1d.	Provide Freddie Mac via email at <a href="mailto:multifamily_eligibility@freddiemac.com">multifamily_eligibility@freddiemac.com</a> with all details of the Business Disruption known at that time and related internal and external investigations, including all tactics, techniques and procedures for addressing and resolving the Business Disruption



Business Disruption notification requirements	
The Seller/Servicer must...	
2.	Once known, email Freddie Mac at <a href="mailto:multifamily_eligibility@freddiemac.com">multifamily_eligibility@freddiemac.com</a> with details characterizing any anticipated potential damage estimates (including reputational), what actions are being taken to protect individuals and business assets in the future, and any resulting after-action reports generated
3.	Provide to Freddie Mac updates with details on progress made since the last update until the Business Disruption is fully resolved and closed

### 2.21 Email communications with Seller/Servicers (07/01/14)

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

### 2.22 Anti-money laundering compliance (12/12/24)

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](mailto: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 (12/12/24)**

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

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



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

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

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

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

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

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

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

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

##### **(i) Information security program**

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

- User responsibilities (e.g., acceptable use)
- Ownership of information
- Baseline security practices



- Physical, administrative and technical security protection mechanisms
- Other requirements, including those described in this section

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

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

## (ii) Human resources security

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

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

## (iii) Physical and environmental security controls

The Seller/Servicer must create and maintain:

- A physical security control program of the organization's buildings and facilities containing information systems designed to detect, monitor and prevent unauthorized persons gaining access and to respond to physical security incidents using real-time physical intrusion alarms and surveillance equipment
- Environmental controls to monitor, mitigate and protect the organization with regard to a loss of connectivity, access to, or integrity of, information and damage caused by



natural disasters or manmade incidents such as fire, earthquake, flood, hurricane, tornado or weather-related adverse conditions

#### **(iv) Communications and operations management**

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

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

The Seller/Servicer must:

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

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

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

#### **(vii) Network security**

The Seller/Servicer must:



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

#### **(viii) Mobile computing**

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

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

#### **(ix) Wireless networks**

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

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

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

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

- Employ a qualified and independent third party to conduct penetration testing on system or system components at least annually. At a minimum, the executive



summary of the penetration testing report on Freddie Mac-related services and data must be made available to Freddie Mac for review upon request by Freddie Mac.

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

#### **(xi) Configuration and patch management**

The Seller/Service must:

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

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

The Seller/Service must:

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

The Seller/Service should ensure an independent security assessment of the control environment is performed not less than annually and upon the occurrence of any Security





Incident or unauthorized use or access to potentially sensitive personal information (e.g., Social Security Numbers, individual names listed with their addresses, etc.).

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

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

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

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

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

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

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

The Seller/Service provider must:

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





- Use Encryption mechanisms on portable end-user devices to protect data, including potentially sensitive personal information, if the hardware (e.g., laptop, mobile device) is lost or stolen

#### **(xv) Incident management**

The Seller/Service must:

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

The plan must:

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

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

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

##### **(i) Access management policy**

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

- Establish an access management policy that includes a process for granting and removing system access, requirements for Authentication and rules of behavior
- Define remote access requirements including acceptable use, approvals and recertification processes
- Develop and apply an account lock-out threshold that determines the number of failed login attempts that will cause an account to be locked out until it is reset and/or a



number of specified minutes has passed in conjunction with an account lock-out duration setting

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

## **(ii) Granting, removing and reviewing access**

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

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

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

## **(iii) Authentication requirements and guidelines**

Seller/Servicers must require employees to authenticate or prove their identity to the system through a private, protected method or process which includes:

- User identification codes
- Passwords
- Personal identification numbers



- A smart card and/or a token device

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

#### (iv) Asset management

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

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

#### (v) Cloud computing

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

The policy must address:

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

#### (vi) Vendor risk management

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

### c. Compliance with Freddie Mac Security Incident requirements (12/12/24)

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



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

- The Seller/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](#).

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

### **2. Obligation to investigate and remediate**

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

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

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

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

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

#### **(i) Technical information**



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

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

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



- e. Potential damage estimates associated with the Security Incident

### **(iii) Compliance information**

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

## **4. Compliance with laws**

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

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

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

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

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



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

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

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

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

## **2.28 Public Records Searches (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.freddiemac.com](http://mf.freddiemac.com) (collectively, the "Public Records Searches") in the origination of a Mortgage or any Servicing-related transaction, as applicable.

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

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

Seller/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,





Seller/Service providers will provide to Freddie Mac certificates of destruction or other evidence demonstrating the fact, time and manner of destruction, be it electronic, paper, hard drive or other media, which contained the destroyed information. Such certification or evidence is in addition to any other obligations that Seller/Service provider may have with respect to the destroyed information.

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

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

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

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

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

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

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

Seller/Service provider 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 provider’s use of AI/ML. Freddie Mac shall provide the Seller/Service provider with notice of any such claim after it comes to Freddie Mac’s attention.



# Multifamily Seller/Service Guide

## Chapter 3

### Seller/Service Eligibility Requirements



- 3.1 [Freddie Mac Seller/Service requirements and designations \(06/15/23\)](#)
  - a. [Optigo Lender \(06/15/23\)](#)
  - b. [Freddie Mac Multifamily Structured Transaction Seller/Service \(05/11/10\)](#)
  - c. [Freddie Mac Multifamily Servicing-only approval \(06/17/21\)](#)
  - d. [Prescreen and Application Processes and fees \(06/15/23\)](#)
- 3.2 [Branch production offices and geographic areas for Optigo Conventional Lenders \(Conventional Seller/Services\) \(06/15/23\)](#)
- 3.3 [Financial eligibility minimum servicing volume and experience requirements \(10/17/24\)](#)
  - a. [Net worth and minimum servicing volume requirements \(10/17/24\)](#)
  - b. [Additional financial requirements for non-SBL Seller/Services \(10/17/24\)](#)
  - c. [Additional requirements and considerations for SBL Mortgages \(10/17/24\)](#)
- 3.4 [Service-only net worth requirements \(01/01/11\)](#)
- 3.5 [Annual Certification Report \(02/06/17\)](#)
  - a. [Multifamily Annual Certification Report, Form 16M \(02/06/17\)](#)
  - b. [Multifamily Annual Certification Report – Multifamily Structured Transaction & Tax-Exempt Bond Seller/Services, Form 17M \(02/06/17\)](#)
  - c. [Multifamily Annual Certification Report – Service Only, Form 1110M \(05/11/10\)](#)
- 3.6 [Reporting requirements for internal control and mortgage bankers quarterly financial report \(12/16/21\)](#)
  - a. [Internal control report \(12/16/21\)](#)
  - b. [Mortgage bankers quarterly financial report \(02/07/08\)](#)
- 3.7 [Seller/Service numbers \(06/27/19\)](#)
  - a. [Use by Seller/Services \(06/27/19\)](#)
  - b. [Use by affiliates of Seller/Services \(06/27/19\)](#)
- 3.8 [Seller/Service change notification requirements \(08/15/24\)](#)
  - a. [Seller/Service changes requiring 60-day advance notice and Freddie Mac approval \(08/15/24\)](#)
  - b. [Seller/Service changes requiring 30-days' notice to Freddie Mac \(02/16/23\)](#)
  - c. [Seller/Service changes requiring 14-days' notice to Freddie Mac \(02/16/23\)](#)
  - d. [Seller/Service and parent changes requiring immediate notice to Freddie Mac \(06/13/24\)](#)
  - e. [Seller/Service changes requiring subsequent notice to Freddie Mac \(06/13/24\)](#)
- 3.9 [Seller/Service Material Vendor change notification requirements \(06/15/23\)](#)
- 3.10 [Loans-in-process and existing Mortgages \(07/31/12\)](#)
  - a. [Special terms \(02/07/08\)](#)
  - b. [Existing Mortgages \(07/31/12\)](#)
  - c. [Commitment, delivery and purchase of Loans-in-Process \(02/07/08\)](#)
  - d. [Categories of Loans-in-Process \(07/31/12\)](#)



- 3.11 [Disposition of application; confidentiality \(02/07/08\)](#)
- 3.12 [Changes that affect Seller/Servicer's single-family Freddie Mac approval \(02/07/08\)](#)
- 3.13 [Additional requirements applicable to TAH Seller/Servicers \(08/18/22\)](#)
- 3.14 [Additional requirements applicable to Seniors Housing Seller/Servicers \(09/01/16\)](#)
- 3.15 [Additional requirements applicable to Seller/Servicers \(02/27/25\)](#)
  - a. [Policies and procedures \(01/01/25\)](#)
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- 3.16 [Seller/Servicer's fidelity and errors & omissions insurance coverage \(02/16/23\)](#)
  - a. [Acceptable insurer \(09/26/19\)](#)
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  - c. [Seller/Servicer errors & omissions \(E&O\) insurance coverage \(09/26/19\)](#)
  - d. [Documentation of fidelity and E&O insurance \(02/16/23\)](#)
  - e. [Blended fidelity and E&O insurance policies \(02/16/23\)](#)
  - f. [Reinstatement of coverage \(02/16/23\)](#)
  - g. [Self-insurance and Fidelity and/or E&O insurance provided by a captive insurance company \(09/26/19\)](#)
  - h. [Other Seller/Servicer obligations for fidelity and E&O insurance \(02/16/23\)](#)
- 3.17 [Non-discrimination \(12/14/23\)](#)



### 3.1 Freddie Mac Seller/Servicer requirements and designations (06/15/23)

All Freddie Mac Seller/Servicers must:

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

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

#### a. Optigo Lender (06/15/23)

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

##### 1. Optigo Conventional Lender

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

##### 2. Optigo Targeted Affordable Housing (TAH) Lender

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

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

##### 3. Optigo Small Balance Loan Lender

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



Seller/Servicer will be designated as an Optigo Small Balance Loan (SBL) Lender. In the Guide, an Optigo SBL Lender will be referred to as an SBL Seller/Servicer. Section 3.15 outlines additional requirements applicable to SBL Seller/Servicers.

#### **4. Optigo Seniors Housing Lender**

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

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

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

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

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

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

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

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

Freddie Mac will evaluate the applicant following the Prescreen Process and Application Process detailed in the [Optigo Lender Application Roadmap](#).

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

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



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

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

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

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

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



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

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

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

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

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

3.3 Financial eligibility minimum servicing volume and experience requirements (10/17/24)

a. Minimum net worth and other financial eligibility requirements, and minimum servicing volume and experience requirements (10/17/24)

These requirements are effective for financial reporting for the period ending June 30, 2025.

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

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

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

For purposes of determining compliance with the requirements of this Section 3.3(a):

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





- Cash and cash equivalents, Treasury bills, money market investments or certificates of deposit with maturities of one year or less, or allowable marketable securities which include short-term, investment-grade securities either held for sale or trading, such as agency mortgage-backed securities, obligations from Government Sponsored Enterprises, and Treasury obligations

**b. Additional financial requirements for non-SBL Seller/Servicers (10/17/24)**

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

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

**c. Additional requirements and considerations for SBL Mortgages (10/17/24)**

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

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

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

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

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

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

**3.5 Annual Certification Report (02/06/17)**

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

**1. Seller/Servicer requirement to submit [Form 16M](#)**

Seller/Servicers with the following designations must submit a complete and accurate [Form 16M, Multifamily Annual Certification Report](#), with all required attachments described in the





Form 16M instructions, in accordance with the requirements of this section:

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

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

## 2. Form 16M reporting requirements

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Unless stated otherwise in the Purchase and Servicing documents, the Seller/Servicer or the Servicer must conduct all business with Freddie Mac with respect to a particular Mortgage under



the Seller/Servicer number that was used in connection with the acceptance of the Letter of Commitment for that Mortgage.

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

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

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

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

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

**3.8 Seller/Servicer change notification requirements (08/15/24)**

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

**a. Seller/Servicer changes requiring 60-day advance notice and Freddie Mac approval (08/15/24)**

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

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

Such major changes include:

- a. Transfer of ownership interests that results in any person or entity directly or indirectly owning a percentage of ownership interests that results in a Change of Control



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

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

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

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



### 3. Information required at Freddie Mac's discretion

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

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

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

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

- Custodial Accounts
- Change of Named Insured on all insurance policies
- Transfer of Servicing (see Chapter 42 for [Transfer of Servicing Agreement – Form 981M](#) or [Transfer of Securitized Servicing Agreement – Form 983M](#) as applicable)
- Personnel retention
- Minimum net worth
- Standard & Poor's rating
- Assumption of liability
- Evidence of fidelity and E&O coverage
- Evidence of good standing with creditors and investors

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

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

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



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

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

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

**d. Seller/Servicer and parent changes requiring immediate notice to Freddie Mac (06/13/24)**

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

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

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

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





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

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

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

**e. Seller/Servicer changes requiring subsequent notice to Freddie Mac (06/13/24)**

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

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





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

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

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

For the purposes of this Section 3.9:

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

Refer to the Material Vendors [web page](#) on [mf.freddiemac.com](https://mf.freddiemac.com) for more details and examples of Material Vendors.

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

#### **a. Special terms (02/07/08)**

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



**1. Acquired Entity**

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

**2. Loan-in-Process**

A Mortgage that has been assigned a Freddie Mac loan number

**3. Resulting Entity**

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

**4. Effective Date**

The effective date of the acquisition or merger

**b. Existing Mortgages (07/31/12)**

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

Each TAH Seller/Servicer must develop and maintain expertise in the areas of affordable housing finance, including tax-exempt bond finance, and regulatory requirements affecting LIHTC, tax-exempt



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

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

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

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

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

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

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



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

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

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

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

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

### 3.15 Additional requirements applicable to Seller/Service (02/27/25)

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

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

#### b. Additional requirements applicable to SBL Seller/Service (12/14/23)

Each SBL Seller/Service must:





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

c. **Additional requirements applicable to Seller/Servicers with broker or correspondent relationships (02/27/25)**

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





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



- iii. When a broker/correspondent arranges or otherwise brokers the Mortgage loan financing for the Property with the Seller/Servicer, the Seller/Servicer must preserve emails or other documentation regarding the Seller/Servicer's compliance with the due diligence and underwriting documentation chain of custody requirements set forth in this section.
  - iv. By submission of source documents, due diligence or other underwriting documentation to Freddie Mac, the Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with the requirements of this subsection.
- E. **Index Lock.** Prior to any Index Lock, for all transactions submitted to the Seller/Servicer through a broker/correspondent:
- i. The Seller/Servicer must either (a) have conducted a preliminary property inspection of the Property, consisting of the elements described in Section 8.15(a), or (b) for a refinance of a Freddie Mac Mortgage, have reviewed a servicing inspection of the Property completed in accordance with Chapter 40 and dated within 120 days from Index Lock and determined it was acceptable.
  - ii. The Seller/Servicer must have received source documentation and other due diligence directly from the Borrower as noted in Section 3.15(c)2.D. above, and in addition, for first-time sponsors only, financial statements for the proposed Borrower Principal(s) and, when applicable, the proposed Guarantor(s).
  - iii. The Seller/Servicer must submit the [Optigo Lender's Index Lock Agreement Certification for Broker/Correspondent Loans](#).
4. **Broker/Correspondent policies and searches.** When a Seller/Servicer engages a broker/correspondent or otherwise has an agreement to compensate a broker/correspondent for referring a Borrower to the Seller/Servicer in connection with the financing of Freddie Mac Mortgage(s), the Seller/Servicer must also comply with the requirements below:
- A. The Seller/Servicer must develop and implement internal policies and procedures to address the broker/correspondent firm's business, including qualifications for determining acceptability, which must be periodically reviewed, as well as performance monitoring and quality control reviews.
  - B. The Seller/Servicer must complete a broker/correspondent background search periodically for both the firm and the individuals employed at the firms who are involved in the Mortgage transactions.
  - C. The Seller/Servicer must advise the broker/correspondent in writing that: (i) the Freddie Mac logo, designs, product identifiers, slogans, trademarks, and service marks may not be used in any broker/correspondent advertising, publicity, promotion, or other commercial manner without the prior written consent of Freddie Mac, (ii) the broker/correspondent must accurately represent their role in the lending process in any broker-published and/or distributed information, and (iii) the broker/correspondent must not represent itself as an approved Freddie Mac lender or as a direct provider of Freddie Mac's offerings.



- NOTE: When a Seller/Service refers a Mortgage loan to another Seller/Service, the referring Seller/Service is not subject to the requirements in this subsection “4.”

### 3.16 Seller/Service’s fidelity and errors & omissions insurance coverage (02/16/23)

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

#### a. Acceptable insurer (09/26/19)

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

##### 1. Minimum A.M. Best rating:

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

OR

##### 2. If rated by Fitch, Inc., Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc., a minimum Financial Strength Rating of:

- “A-” or its equivalent by Fitch, Inc., or
- “A-” or its equivalent by Standard & Poor’s Ratings Services, or
- “A3” or its equivalent by Moody’s Investors Service, Inc.

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

##### 1. General fidelity insurance requirements

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

- Fidelity/Employee Dishonesty
- On Premises
- In Transit



- Forgery or Alteration
- Securities/Extended Forgery

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

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

Additionally, the policy must:

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

## **2. Fidelity insurance requirements – single loss limit of liability**

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

<b>Base* (Insured Portfolio UPB)</b>	<b>Coverage Calculations by Base*</b>	<b>Cap</b>
≤ \$100 million	\$2.5 million	N/A
>\$100 million and ≤ \$500 million	\$2.5 million + 0.125% * Base over \$100 million	N/A
>\$500 million and	\$3 million +	N/A



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

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

### 3. Fidelity insurance deductible/SIR

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

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

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

### 1. Seller/Servicer E&O insurance requirements

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

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

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

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



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

Additionally, the policy must:

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

## 2. E&O insurance coverage requirements

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

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

- \* Base = the aggregate unpaid principal balance of all loans covered by the E&O insurance policy



- \*\*Freddie Mac does not require more than \$50 million in E&O coverage, regardless of Base

### 3. E&O deductible/SIR

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

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

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

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

### 1. Acceptable documentation

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

- ACORD 25, Certificate of Liability Insurance (or other appropriate ACORD form)
- Certificate of insurance
- Evidence of insurance
- Declarations page
- Policy

### 2. Required information

Each form of documentation must include all of the following:

- Name of insurer
- Bond or policy number
- The Seller or Seller/Servicer, as applicable, as named insured or joint named insured
- Entity covered by the insurance policy
- Freddie Mac named loss payee
- Type of insurance and coverage
- Effective date and expiration date of coverage





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

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

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

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

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

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

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

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

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



- “A” from DBRS, Inc.

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

##### **1. Notice of change in coverage**

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

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

##### **2. Obligation to compensate**

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

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

##### **3. Notice of loss**

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

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

##### **4. Annual certification**

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



### **3.17 Non-discrimination (12/14/23)**

1. Freddie Mac requires all Seller/Servicers to:
  - Practice the principles of equal employment opportunity and non-discrimination in all its business activities. As such, each Seller/Servicer must not discriminate on the basis of race, color, religion, sex, age, marital status, disability, veteran status, genetic information (including family medical history), pregnancy status, national origin, ethnicity, familial status, sexual orientation, gender identity or other characteristic protected by law.
  - Contractually require each subcontractor it engages to provide services or goods for the use of Freddie Mac to practice the principles of equal employment opportunity and non-discrimination in all its business activities.
2. Upon request by Freddie Mac, a Seller/Servicer must provide Freddie Mac with information and appropriate certifications regarding:
  - The diversity status of the Seller/Servicer
  - The diversity status of subcontractors engaged by the Seller/Servicer to provide services or goods for the use of Freddie Mac with respect to originating or servicing Mortgages under the Purchase Documents
  - Any other information Freddie Mac requests in order to comply with HERA and applicable diversity and inclusion regulations

# Multifamily Seller/Service Guide

## Chapter 4

### Suspension or Termination of a Seller/Service



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## 4.1 General policy (09/01/16)

### a. Special terms (09/08/05)

Certain terms, when used in this chapter, have the meanings described below:

- The term "Seller/Servicer," as used in this chapter, may refer to the Seller and/or the Servicer, if the Seller and Servicer are separate entities.
- The term "disciplinary action," as used in this chapter, refers to any of the actions set forth in Section 4.1(b).

### b. Disciplinary actions (09/01/16)

Freddie Mac may, at any time, take one or more disciplinary actions with respect to a Seller/Servicer. Freddie Mac may place a Seller/Servicer on probation, suspend the rights of the Seller/Servicer, or terminate the rights of the Seller/Servicer, with or without cause, with regard to any or all of the following:

- Selling approval with regard to all Mortgages
- Selling approval with regard to one or more Seller/Servicer approval designations (whether Conventional, TAH, SBL, Seniors Housing or other approval designation)
- Selling approval with regard to Mortgages originated by one or more of its branch production offices
- Servicing approval with regard to all Mortgages
- Servicing approval with regard to one or more Mortgages that Freddie Mac determines the Seller/Servicer is not Servicing in accordance with the Purchase and Servicing Documents
- Right to acquire additional Servicing

### c. Freddie Mac rights (07/31/12)

Any action that Freddie Mac is entitled to take pursuant to this chapter will be taken at Freddie Mac's sole discretion.

Freddie Mac may take any one or more disciplinary actions independently, simultaneously or cumulatively.

Freddie Mac will determine the length of any probation or suspension period and will prescribe the terms, conditions and requirements for reinstatement.

### d. Revocation of power of attorney (07/31/12)

When Freddie Mac takes any disciplinary action against a Seller/Servicer that includes all of the Seller/Servicer's selling or Servicing approvals, that action will automatically revoke any



power of attorney granted by Freddie Mac to the Seller/Servicer, without the need for further notice by Freddie Mac to the Seller/Servicer.

**e. No compensation (07/31/12)**

If Freddie Mac takes any one or more of the disciplinary actions set forth in this chapter, with or without cause, the Seller/Servicer will not be entitled to any fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, Freddie Mac's disciplinary action, except as otherwise provided in Section 4.6 and 4.7.

**4.2 Probation, suspension, or termination with or without cause (06/28/13)**

**a. Reasons for probation, suspension or termination with cause (06/28/13)**

Freddie Mac may take disciplinary action against a Seller/Servicer with cause, for any failure by the Seller/Servicer to comply with any term or provision of the Purchase and Servicing Documents.

The following reasons for taking disciplinary action with cause are listed as examples only, and Freddie Mac's ability to take disciplinary action with cause is not limited to the reasons set forth below. Freddie Mac will make the determination of the existence of any grounds for probation, suspension or termination with cause, notwithstanding that such grounds for disciplinary action are not included in the following list:

1. The Seller/Servicer fails to deliver the required quantity of underwriting packages for Mortgages meeting Freddie Mac's underwriting requirements to be purchased by Freddie Mac (as measured by the dollar amount of proposed Mortgages).
2. The Seller/Servicer
  - Files a voluntary bankruptcy petition under the United States Bankruptcy Code,
  - Becomes the subject of an order for relief issued in any involuntary bankruptcy proceeding, or
  - Becomes the subject of any reorganization, receivership, insolvency or similar proceeding under State or federal law.
3. A trustee, receiver, custodian, conservator, liquidator or similar entity or individual is appointed for the Seller/Servicer or its property.
4. The Seller/Servicer misstates or omits any material fact in any application, certification or other document submitted to Freddie Mac or in any oral representation made to Freddie Mac.
5. The Seller/Servicer fails to meet any requirement prescribed by Freddie Mac for eligibility as a Seller/Servicer.





6. Freddie Mac takes any disciplinary action against a Seller/Servicer with regard to its selling approval for Freddie Mac single-family mortgages or there exists grounds for such action.
7. The Seller/Servicer fails to comply with a repurchase demand or indemnification.

**b. Probation, suspension, or termination without cause (06/28/13)**

Freddie Mac may take disciplinary action against a Seller/Servicer without cause. Without limitation, actions taken by Freddie Mac due to a Seller/Servicer's failure to meet annual production goals for a required volume of Mortgages (as measured by the dollar amount of Mortgages that are actually purchased by Freddie Mac) will constitute actions taken without cause.

**4.3 Probation (06/27/19)**

**a. Probation with or without cause (07/31/12)**

Freddie Mac may, with or without cause, place a Seller/Servicer on probation.

**b. Notice of probation (09/08/05)**

Freddie Mac may place a Seller/Servicer on probation without written notice. When Freddie Mac does not provide written notice, the probation will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice. Any written notice or written confirmation of an oral notice will advise the Seller/Servicer of the length of the probationary period. Any written notice or written confirmation of an oral notice of the probation for cause will contain a brief statement of the basis for the probation.

**c. Effect of probation (06/27/19)**

During the probationary period, the Seller/Servicer may continue to sell Mortgages to Freddie Mac, service Mortgages for Freddie Mac, represent itself as a member of the Optigo Lender network authorized to sell Mortgages to Freddie Mac and acquire additional Servicing, to the extent previously authorized by Freddie Mac.

**d. Action following probation (09/08/05)**

At the end of the probationary period, Freddie Mac may extend or terminate the probationary period or take any of the other actions described in this chapter.

**e. Appeal of probation decision (07/31/12)**

Freddie Mac's decision to place a Seller/Servicer on probation is conclusive and not subject to appeal.

**4.4 Suspension (07/31/12)**

**a. Suspension with or without cause (07/31/12)**

Freddie Mac may, with or without cause, suspend a Seller/Servicer.

**b. Notice of suspension (07/31/12)**

Freddie Mac will provide a Seller/Servicer with at least 30 days' written notice of its intent to suspend the Seller/Servicer unless Freddie Mac determines that a shorter notice period or no notice is necessary or advisable to protect Freddie Mac's interest.

When Freddie Mac determines that a notice period of less than 30 days or no notice is necessary or advisable, the suspension will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice. Any written notice or written confirmation of an oral notice of suspension for cause will contain a brief statement of the basis for the suspension and the length of the suspension period. The statement will also advise the Seller/Servicer of any right to obtain an appeal of Freddie Mac's action or proposed action.

**c. Effect of suspension (07/31/12)**

The following chart details the effects of suspension, with or without cause, of one or more of the Seller/Servicer's approvals:

Suspended function	Effect of suspension with or without cause
Selling approval	<p>During the suspension period the Seller/Servicer may not:</p> <ul style="list-style-type: none"><li>Sell a Mortgage to Freddie Mac under the designated Seller/Servicer approval which was suspended, except pursuant to a Purchase Contract Freddie Mac has issued to the Seller/Servicer prior to the effective date of the suspension, or</li><li>Represent itself as a Freddie Mac Seller/Servicer under the designated Seller/Servicer approval which was suspended or otherwise hold itself out as authorized to sell Mortgages to Freddie Mac</li></ul> <p>If the Seller/Servicer has rate-locked a Mortgage pursuant to an early rate-lock application or spread-locked a Mortgage pursuant to an early spread lock application (both referred to as an "application") that Freddie Mac has not accepted prior to the effective date of the suspension of the Seller/Servicer's designated selling approval, then Freddie Mac may take one of the following actions:</p>



Suspended function	Effect of suspension with or without cause
	<ul style="list-style-type: none"> <li>Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer concurrently with funding the purchase of the Mortgage</li> <li>Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval has been suspended must transfer the good faith deposit for the Mortgage (whether cash or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation submitted by or on behalf of the Borrower in connection with the Mortgage</li> </ul>
Rights to acquire Servicing	During the suspension period the Seller/Servicer may not acquire additional Servicing under the designated Seller/Servicer approval that was suspended, but may continue to service its existing Servicing portfolio.

**d. Action following suspension (07/31/12)**

At the end of the suspension period, Freddie Mac may reinstate any or all of the approvals that were suspended, prescribe any conditions and terms related to the reinstatement or take any of the other actions described in this chapter.

**e. Appeal of suspension decision (07/31/12)**

Freddie Mac's decision to suspend a Seller/Servicer without cause is conclusive and not subject to appeal.

The Seller/Servicer has the right to appeal Freddie Mac's decision to suspend the Seller/Servicer with cause. To appeal a suspension with cause, the Seller/Servicer must file a written appeal with Freddie Mac in accordance with the procedures set forth in Section 4.8.



## 4.5 Termination (02/16/23)

### a. Termination with or without cause and voluntary termination (09/01/16)

Freddie Mac may, at any time, terminate the selling approval, Servicing approval or both the selling and Servicing approvals of a Seller/Servicer with or without cause and with or without first placing the Seller/Servicer on probation or suspending the Seller/Servicer.

Freddie Mac will treat a Seller/Servicer's request to voluntarily terminate its Freddie Mac Multifamily approval as a determination by Freddie Mac to terminate the selling and Servicing approval of the Seller/Servicer without cause. The request will give Freddie Mac all of the rights and remedies set forth in Section 4.6 or 4.7, as applicable.

### b. Notice of termination (07/31/12)

#### 1. Notice of termination with cause

Freddie Mac will provide the Seller/Servicer with at least 10 days' written notice of its intent to terminate with cause any part or all of the Seller/Servicer's selling or Servicing approvals.

Freddie Mac may determine that a shorter notice period or no notice is necessary or advisable to protect Freddie Mac's interests. When Freddie Mac determines that a shorter notice period or no notice period is necessary or advisable, a termination with cause will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice.

Any written notice or written confirmation of oral notice of termination with cause will contain a brief statement of the basis for the termination. The statement will also advise the Seller/Servicer of its right to obtain a review of Freddie Mac's decision to terminate with cause.

#### 2. Notice of termination without cause

Freddie Mac will provide the Seller/Servicer with 30 days' written notice of its intent to terminate without cause the Seller/Servicer's selling approval or its right to acquire Servicing.

Freddie Mac will provide the Seller/Servicer with 180 days' written notice of its intent to terminate without cause the Servicing approval for Mortgages for which the Freddie Mac Funding Date is on or after January 1, 1994, or for which a transfer of Servicing to the Seller/Servicer became effective on or after November 15, 1994 ("post-1994 Mortgages").

Freddie Mac must provide the Seller/Servicer with 90 days' written notice of its intent to terminate without cause the Servicing approval for Mortgages for which the Freddie Mac Funding Date was before January 1, 1994, or for which a transfer of Servicing to the Seller/Servicer became effective before November 15, 1994 ("pre-1994 Mortgages").

Freddie Mac may determine that a shorter notice period or no notice of its intent to terminate without cause the Seller/Servicer's selling approval, right to acquire Servicing or Servicing of post-1994 Mortgages is necessary or advisable to protect Freddie Mac's

interests. When Freddie Mac determines that a shorter notice period or no notice period is necessary or advisable, termination without cause of the selling approval, the right to acquire Servicing or the right to service post-1994 Mortgages will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice.

c. **Effect of termination (02/16/23)**

In addition to the specific effects of termination outlined in this section, if Freddie Mac terminates, with or without cause, an Optigo Lender’s selling approval, Servicing rights or right to acquire Servicing, then any Optigo Lender designations (whether Conventional, TAH, SBL, Seniors Housing or other approval designation) will automatically terminate without further action or notice from Freddie Mac.

1. **Effect of termination of selling approval**

The following chart details the effects of Freddie Mac's termination with or without cause of a Seller/Servicer's selling approval:

Terminated function	Effect of termination with or without cause
Termination of selling approval with respect to one or more approval designations	<p>The Seller/Servicer may not sell a Mortgage to Freddie Mac. If the Seller/Servicer holds a Purchase Contract that Freddie Mac has issued to the Seller/Servicer prior to the effective date of the termination, Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"><li>• Purchase the Mortgage from the Seller/Servicer subject to the Purchase Contract if the Seller/Servicer's right to service has not been terminated</li><li>• If Freddie Mac has terminated the Seller/Servicer's right to service, purchase the Mortgage from the Seller/Servicer subject to the Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage</li><li>• Transfer the Purchase Contract to another Seller selected by Freddie Mac, in which case the Seller/Service whose selling approval has been terminated must transfer to the transferee Seller copies of all third-party reports and all other documentation or</li></ul>

Terminated function	Effect of termination with or without cause
	<p>deposits submitted by or on behalf of the Borrower in connection with the Mortgage</p> <p>If the Seller/Servicer has rate-locked or spread-locked a Mortgage pursuant to an application that Freddie Mac has not accepted prior to the effective date of the termination of a Seller/Servicer's selling approval, then Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"><li>• Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li><li>• If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage</li><li>• Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval has been terminated must transfer the good faith deposit for the Mortgage (whether cash and/or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation submitted by or on behalf of the Borrower in connection with the Mortgage</li></ul>

2. Effect of termination of Servicing approval

The following chart details the effects of Freddie Mac's termination, with cause and without cause, of one or more of the Seller/Servicer's Servicing approvals:

Terminated function	Effect of termination without cause	Effect of termination with cause
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Entire Servicing approval	The Seller/Servicer may not acquire additional Servicing. The Seller/Servicer must transfer its entire Servicing portfolio to a Seller/Servicer that is a member of the Optigo Lender network, with compensation determined as provided in Section 4.6 (or in Section 4.7 for pre-1994 Mortgages.)	The Seller/Servicer may not acquire additional Servicing. The Seller/Servicer must, under Freddie Mac's direction and in accordance with Freddie Mac's instructions, transfer its entire Servicing portfolio to a Seller/Servicer that is a member of the Optigo Lender network, without compensation to the terminated Servicer.
Servicing approval with regard to one or more Mortgages Seller/Servicer is not Servicing in accordance with the Purchase and Servicing Documents	Not applicable	The Seller/Servicer must, under Freddie Mac's direction and in accordance with Freddie Mac's instructions, transfer the Servicing of the affected Mortgages to a Seller/Servicer that is a member of the Optigo Lender network, without compensation to the transferring Servicer.
Rights to acquire additional Servicing	The Seller/Servicer may not acquire additional Servicing, but may continue to service its existing Servicing portfolio.	The Seller/Servicer may not acquire additional Servicing, but may continue to service its existing Servicing portfolio.

### 3. Return or destruction of Freddie Mac information

Following the termination, with or without cause, of a Seller/Servicer's selling or Servicing approvals and, subject to any applicable requirements in Section 34.5, Section 43.3(a), Section 48.3, Section 50.4 and this chapter, the Seller/Servicer will promptly return to Freddie Mac or securely destroy all Freddie Mac information, including all copies.

For purposes of this section, "Freddie Mac information" means information held by the Seller/Servicer, or others acting for and on behalf of the Seller/Servicer, that Freddie Mac has identified as "confidential information" under Section 2.8 or that the Seller/Servicer knows, or should know, should be treated as confidential information, whether or not Freddie Mac has identified the information as confidential.

For information that cannot be returned, such as electronic copies, the Seller/Servicer will securely destroy such items, after providing a copy to Freddie Mac in the manner required in this section. The Seller/Servicer will ensure that Freddie Mac information is





securely destroyed (and any electronic equipment or storage containing any Freddie Mac information is erased including digitally shredded if technically feasible) so that Freddie Mac information is rendered unreadable and unable to be recreated. With respect to the portion of Freddie Mac information that consists of electronic information, all such information will be provided to Freddie Mac in an industry standard format useable by Freddie Mac or in a different format that has been mutually agreed upon in writing.

If the Seller/Servicer is required by applicable law (including legally binding requirements imposed on the Seller/Servicer by a self-regulatory organization) or under a bona fide corporate records retention policy to retain any Freddie Mac information, the Seller/Servicer may retain such Freddie Mac information to the extent necessary to comply with such applicable law or records retention policy. The Seller/Servicer may retain any electronic files containing Freddie Mac information residing on backup systems or tapes to the extent such backups were created in the ordinary course of the Seller/Servicer's business and that it is impractical to destroy such files or deliver them to Freddie Mac. The Seller/Servicer will continue to maintain the confidentiality of such Freddie Mac information and discontinue all use of it.

Upon Freddie Mac's request, the Seller/Servicer will promptly certify in writing that the Seller/Servicer has complied with this Section 4.5(c)(3) and detail the means used to destroy or erase Freddie Mac information.

Performance of the Seller/Servicer's obligations under this Section 4.5(c)(3) will be at no additional charge to Freddie Mac. Freddie Mac will, however, reimburse the Seller/Servicer for its actual out of pocket expenses incurred to provide any bulk paper copies requested by Freddie Mac under this Section 4.5(c)(3).

**d. Action following termination (07/31/12)**

Following termination of a Servicer's Servicing with or without cause, the Servicer must comply with the requirements of Chapter 48, Termination of Servicing.

Freddie Mac's termination of Servicing with or without cause and the resulting transfer of Servicing do not relieve the Servicer of its warranty obligations under the Purchase Contracts with respect to the transferred Mortgages. The Servicer's and the transferee Servicer's respective warranty obligations are described in Section 42.14(a).

**e. Appeal of termination (07/31/12)**

Freddie Mac's decision to terminate a Seller/Servicer without cause is conclusive and not subject to appeal.

The Seller/Servicer has the right to appeal Freddie Mac's decision to terminate the Seller/Servicer with cause. To appeal a termination with cause, the Seller/Servicer must file a written appeal with Freddie Mac in accordance with the procedures set forth in Section 4.8.



## 4.6 Compensation for termination of Servicing without cause (06/27/19)

### a. Impacted Mortgages (07/31/12)

This section applies to Mortgages for which the Freddie Mac Funding Date is on or after January 1, 1994 or for which a transfer of Servicing to the Seller/Servicer became effective on or after November 15, 1994. (For pre-1994 Mortgages see Section 4.7)

### b. Transfer of Servicing permitted by Servicer during 180-day notice period (06/27/19)

During the 180-day notice period following Freddie Mac's notice of termination of Servicing without cause, the Servicer may arrange to transfer the terminated Servicing to one or more Seller/Servicers that are members of the Optigo Lender network in good standing. The transfer of Servicing must be made in accordance with the terms and provisions of Chapter 42, Transfers of Servicing.

### c. Compensation to Servicer for transfer of Servicing during 180-day notice period (07/31/12)

If the Servicer consummates an approved transfer of Servicing during the 180-day notice period, it may retain any compensation paid by the purchaser for the transfer, less any outstanding amounts the Servicer owes to Freddie Mac, including transfer costs, repurchases, fees and all other amounts owed to Freddie Mac (including outstanding single-family obligations).

The Servicer must remit to Freddie Mac, within 10 days of its receipt of the funds from the purchaser, all amounts that the Servicer owes to Freddie Mac. If the sales proceeds received by the Servicer are less than the amount that the Servicer owes to Freddie Mac, the Servicer must remit the full amount of such proceeds to Freddie Mac, and the Servicer will be responsible for paying the outstanding balance owed to Freddie Mac.

The net proceeds retained by the Servicer, if any, will constitute the entire compensation payable in consideration of the termination of Servicing without cause. A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination of Servicing without cause.

### d. No compensation to Servicer for transfer of Servicing by Freddie Mac after 180-day notice period (06/27/19)

If the Servicer does not consummate an approved transfer of the terminated Servicing during the 180-day notice period, at the end of the 180-day notice period, Freddie Mac will transfer the Servicing to one or more Seller/Servicers who are members of the Optigo Lender network selected by Freddie Mac, and the Servicer will not be entitled to compensation for the transfer.

### e. Compensation to Servicer for transfer of Servicing by Freddie Mac without 180-day notice period (07/31/12)

If Freddie Mac elects not to provide a 180-day notice period to the Servicer, Freddie Mac will pay the Servicer the market value (as determined by Freddie Mac) of the Servicing portfolio



being transferred as of the date the Servicing is actually transferred, less any outstanding amounts owed by the Servicer to Freddie Mac, including transfer costs, repurchases and all other amounts owed to Freddie Mac (including outstanding single-family obligations). Freddie Mac's determination of the market value of the Servicing portfolio will be final and will not be subject to review.

Before Freddie Mac pays the Servicer the market value of the terminated Servicing, the Servicer must complete all repurchases required under Chapter 47 of the Guide and fulfill any other outstanding obligations of the Servicer to Freddie Mac (including single-family obligations). If the Servicer fails to do so, Freddie Mac may offset the sum of such repurchases and any other outstanding obligations of the Servicer against the market value of the terminated Servicing and pursue all other rights and remedies Freddie Mac may have at law or in equity.

Freddie Mac's payment of the market value of the terminated Servicing (less any amounts owed to Freddie Mac) will constitute the entire compensation payable in consideration of the termination of Servicing without cause and without the 180-day notice period.

A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination of Servicing without cause.

#### **4.7 Compensation for termination of Servicing without cause (pre-1994 Mortgages) (06/27/19)**

##### **a. Definition of pre-1994 Mortgages (07/31/12)**

Pre-1994 Mortgages are Mortgages for which the Freddie Mac Funding Date was before January 1, 1994, or for which a transfer of Servicing to the Seller/Servicer became effective before November 15, 1994. This section applied to pre-1994 Mortgages only.

##### **b. Transfer of Servicing of pre-1994 Mortgages by Servicer permitted during 90-day notice period (06/27/19)**

During the 90-day notice period following Freddie Mac's notice of termination without cause of Servicing of pre-1994 Mortgages, the Servicer may arrange to transfer the terminated Servicing to one or more Seller/Servicers who are members in good standing of the Optigo Lender network. The transfer of Servicing must be made in accordance with the terms and provisions of Chapter 42, Transfers of Servicing.

##### **c. Compensation to the Servicer for transfer of Servicing of pre-1994 Mortgages during the 90-day notice period (07/31/12)**

If the Servicer consummates an approved transfer of Servicing during the 90-day notice period, the Servicer may retain any compensation made by the purchaser for the transfer, less any outstanding amounts the Servicer owes to Freddie Mac, including transfer costs, repurchases, fees and all other amounts owed to Freddie Mac (including outstanding single-family obligations).

The Servicer must remit to Freddie Mac, within 10 days of its receipt of the funds from the purchaser, all amounts that the Servicer owes to Freddie Mac. If the sales proceeds



received by the Servicer are less than the amount that the Servicer owes to Freddie Mac, the Servicer must remit the full amount of such proceeds to Freddie Mac, and the Servicer will be responsible for paying the outstanding balance owed to Freddie Mac.

The net proceeds retained by the Servicer, if any, will constitute the entire compensation payable in consideration of the termination of Servicing without cause of pre-1994 Mortgages. A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination of Servicing without cause.

**d. No compensation to Servicer for transfer of Servicing of pre-1994 Mortgages by Freddie Mac after the 90-day notice period (06/27/19)**

If the Servicer of pre-1994 Mortgages does not consummate an approved transfer of the terminated Servicing during the 90-day notice period, at the end of the 90 days, Freddie Mac will terminate the Servicing and transfer the Servicing to one or more Seller/Servicers who are members of the Optigo Lender network selected by Freddie Mac.

Freddie Mac will pay the Servicer a termination fee equal to the market value (as determined by Freddie Mac) of the Servicing portfolio being transferred as of the date the Servicing is actually transferred, less any outstanding amounts owed by the Servicer to Freddie Mac, including transfer costs, repurchases and all other amounts owed to Freddie Mac (including outstanding single-family obligations). Freddie Mac's determination of the market value of the Servicing portfolio will be final and will not be subject to review.

Before Freddie Mac pays the Servicer a termination fee, the Servicer must complete all repurchases required under Chapter 47 of the Guide and fulfill any other outstanding obligations of the Servicer to Freddie Mac. If the Servicer fails to do so, Freddie Mac may offset the sum of such repurchases and any other outstanding obligations of the Servicer against the termination fee and pursue all other rights and remedies Freddie Mac may have at law or in equity.

Freddie Mac's payment of a termination fee will constitute the entire compensation payable in consideration of the termination without cause of Servicing of pre-1994 Mortgages.

A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination without cause of Servicing of pre-1994 Mortgages.

## **4.8 Appeal of termination or suspension with cause (04/15/21)**

The Seller/Servicer may file a written appeal with Freddie Mac Multifamily Business Management at the following address to request that Freddie Mac review its determination of a suspension or termination with cause.

Attn: Director, Multifamily Business Management  
Freddie Mac  
8100 Jones Branch Drive  
McLean, VA 22102-3110



Telephone number: (703) 714-2841  
Fax number: (703) 714-4008

The filing of an appeal does not stay the effective date of the termination or suspension.

**a. Time for appeal (09/08/05)**

The appeal must be postmarked or hand delivered no later than 15 days from the date the Seller/Service received written notice or written confirmation of oral notice from Freddie Mac of Freddie Mac's intent to suspend or terminate with cause any approval of the Seller/Service.

If the Seller/Service does not file an appeal within the 15-day period, the Seller/Service will be deemed to have waived its right to appeal.

**b. Form of appeal (09/08/05)**

The appeal must contain the following, in the order indicated:

1. A cover page bearing the names and addresses of the Seller/Service and its representative, if any
2. A reference to Freddie Mac's action or proposed action and a concise statement of the action
3. A listing in separate numbered paragraphs of each of the grounds for appeal on which the Seller/Service relies
4. The Seller/Service's arguments supporting its grounds for appeal and stating the points of fact, policy and law being presented
5. A conclusion, specifying the action the Seller/Service believes Freddie Mac should take

**c. Discretionary hearing regarding appeal (07/31/12)**

Generally, a hearing or meeting is not a part of the appeal process. Freddie Mac reserves the right, however, to schedule a hearing or meeting, when appropriate in Freddie Mac's sole discretion, and to prescribe the terms for such hearing or meeting.

**d. Final decision regarding appeal (07/31/12)**

Freddie Mac will review the appeal of the Seller/Service's suspension or termination, the hearing record, if any, and any other relevant information before rendering a decision.

Freddie Mac will then render to the Seller/Service a decision in writing affirming, reversing or modifying Freddie Mac's prior determination. Freddie Mac's decision regarding an appeal is conclusive.

**4.9 Reapplication for selling or Servicing approval (07/31/12)**

For at least 12 months after the date of the termination, a Seller/Servicer (or branch production office, if applicable) that has been terminated by Freddie Mac may not apply for the approval that was terminated. If the termination was with cause, the application for reinstatement must document that the Seller/Servicer has taken all appropriate corrective actions. In addition, a Seller/Servicer that is applying for reinstatement after a termination must meet all criteria for approval in effect at the time of such application.

**4.10 Disciplinary action with respect to a branch production office (09/18/14)**

If the Seller/Servicer has approval for selling Mortgages to Freddie Mac for more than one branch production office or geographic area, Freddie Mac may exercise any one or more disciplinary actions in Section 4.1(b) with respect to the selling approval of each such branch production office or geographic area or for all branch production offices and geographic areas.

**a. Disciplinary action (07/31/12)**

Freddie Mac may suspend a Seller/Servicer or a branch production office of a Seller/Servicer without first placing the Seller/Servicer or its other branch production offices on probation.

**b. Notice of disciplinary action (07/31/12)**

Freddie Mac will provide the Seller/Servicer's branch production office(s) with notice.

**c. Effect of suspension or termination (09/18/14)**

**1. Effect of suspension of a branch production office's selling approval**

The following chart details the effects of suspension of one or more (but not all) of the Seller/Servicer's branch production offices:

Suspended function	Effect of suspension
Selling approval of one or more (but not all) of the Seller/Servicer's branch production offices	<p>The Seller/Servicer may not sell a Mortgage to Freddie Mac that was originated by the branch production office that has been suspended, except pursuant to a Purchase Contract Freddie Mac has issued to the Seller/Servicer prior to the effective date of the suspension.</p> <p>If the Seller/Servicer has rate-locked or spread-locked a Mortgage pursuant to an application that Freddie Mac has not accepted prior to the effective date of the suspension of the branch production office's selling approval, then Freddie Mac may take one of the following actions:</p>





Suspended function	Effect of suspension
	<ul style="list-style-type: none"> <li>Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>If Freddie Mac has not terminated the Seller/Servicer's right to service and if Seller/Servicer has not submitted the full underwriting package, approve the Seller/Servicer's <a href="#">Geographical Waiver Request</a>, the form of which is available at <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>, to allow another branch production office to complete the full underwriting package, accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage</li> <li>Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval for a branch production office has been suspended must transfer the good faith deposit for the Mortgage (whether cash or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation submitted by or on behalf of the Borrower in connection with the Mortgage</li> </ul>

## 2. Effect of termination of a branch production office's selling approval

The following chart details the effects of termination of the Selling approval of one or more (but not all) of the Seller/Servicer's branch production offices





Terminated function	Effect of termination
Selling approval of one or more (but not all) of the Seller/Servicer's branch production offices	<p>The Seller/Servicer may not sell a Mortgage to Freddie Mac that was originated by a branch production office that has been terminated, except pursuant to a Purchase Contract Freddie Mac has issued to the Seller/Servicer prior to the effective date of the termination,</p> <p>If the Seller/Servicer has rate-locked or spread-locked a Mortgage pursuant to an application that Freddie Mac has not accepted prior to the effective date of the termination of the selling approval of a branch production office of a Seller/Servicer, then Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"> <li>• Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract if the Seller/Servicer's right to service has not been terminated</li> <li>• If the Seller/Servicer has not submitted the full underwriting package, approve the Seller/Servicer's <a href="#">Geographical Waiver Request</a>, the form of which is available at <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>, to allow another branch production office to complete the full underwriting package, accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>• Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval for a branch production office has been terminated must transfer the good faith deposit for the Mortgage (whether cash and/or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation or deposits submitted by or on behalf of the Borrower in connection with the Mortgage</li> <li>• If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's</li> </ul>



Terminated function	Effect of termination
	requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage

**d. Action following suspension (07/31/12)**

At the end of the suspension period, Freddie Mac may reinstate any or all of the approvals that were suspended, prescribe any conditions and terms related to the reinstatement or take any of the other actions described in this chapter.

**e. Appeal of suspension (07/31/12)**

Freddie Mac's decision to suspend a branch production office's selling approval without cause is conclusive and not subject to appeal.

# Multifamily Seller/Servicer Guide

## Chapter 5

### Seller/Servicer Representations and Warranties



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## **5.1 Applicability (09/28/18)**

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

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

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

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

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

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

### **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/Service’s knowledge, the rent schedule or rent roll does not contain any material errors.

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

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



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

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

**c. Loan Documents (09/28/18)**

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

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

**d. Insurance (09/28/18)**

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

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

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

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

1. The Seller/Service 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.mac.com/lenders/legal](https://mf.freddie.mac.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.mac.com/lenders/legal](https://mf.freddie.mac.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/Service or the Purchase and Servicing Documents

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

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

# Multifamily Seller/Servicer Guide

## Chapter 6

### Legal Services for Mortgage Origination and Servicing



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## **6.1 Freddie Mac reliance on Seller/Servicer's legal counsel (09/08/04)**

Although many decisions in connection with the structuring of a Mortgage or a Transfer of Ownership or other Special Servicing Request may require Freddie Mac's approval, Freddie Mac, in making such decisions, may rely on the expertise of the Seller/Servicer and its legal counsel regarding legal matters.

## **6.2 Qualifications of Seller/Servicer's legal counsel (02/28/13)**

An attorney who represents the Seller/Servicer in connection with the structuring, origination or delivery of a Mortgage or in connection with a Transfer of Ownership or other Special Servicing Request must have a minimum of two years' experience closing commercial or multifamily housing mortgage loans on behalf of lenders.

If the attorney retained by the Seller/Servicer in connection with a proposed transaction is not licensed to practice law in the State in which the Property is located or lacks experience with the laws of that State, the Seller/Servicer or the attorney must have available local counsel who is both licensed and experienced in that State. The Seller/Servicer or its legal counsel must consult with that local counsel as necessary to

- In accordance with Section 6.4 or 6.5, identify for Freddie Mac any legal issues affecting the proposed Mortgage that arise under the laws of that State
- Respond in accordance with Section 6.6 to any questions Freddie Mac might have about those issues

The Seller/Servicer and its legal counsel need not seek confirmation from local counsel that the Multifamily Loan Documents (as they appear at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal)) are enforceable under the laws of that State, but must consult local counsel to

- In accordance with Section 6.7, determine whether enforceability will be affected adversely by any negotiated changes to the Multifamily Loan Documents or by the structure of the Borrower or the transaction
- Identify whether, since the issue date of each Multifamily Loan Document, the law of that State has changed in a way that would adversely affect enforceability of that document

If the Seller/Servicer's legal counsel lacks expertise regarding special features of the transaction, such as government housing subsidies, the Seller/Servicer must have available special counsel who has the necessary expertise. The Seller/Servicer or its legal counsel must consult that special counsel as necessary to

- Identify for Freddie Mac (in accordance with Section 6.4 or Section 6.5) any legal issues affecting the proposed Mortgage that arise from those features of the transaction
- Respond in accordance with Section 6.6 to any questions Freddie Mac may have about those issues

The Seller/Servicer may use paralegals to perform appropriate tasks if the paralegals are supervised by an experienced attorney and their written work product is reviewed by that attorney before being





submitted to Freddie Mac. An attorney, rather than a paralegal, must conduct the legal aspects of any negotiations with a Borrower regarding transaction structure or the content of documents.

### **6.3 Availability of Seller/Servicer's legal counsel (09/08/04)**

For each Mortgage that it sells to Freddie Mac and for each Transfer of Ownership and other Special Servicing Requests submitted to Freddie Mac for approval, the Seller/Servicer must have its legal counsel available at all times. This availability must continue from and after the commencement of consideration of the proposed transaction (including before the submission of an early rate-lock application to Freddie Mac, Freddie Mac's issuance of a Letter of Commitment or Freddie Mac's issuance of a letter approving a proposed Transfer of Ownership). Freddie Mac may need the Seller/Servicer's legal counsel to assist Freddie Mac with the structuring and negotiation of the proposed transaction. Among other things, the Seller/Servicer's legal counsel must be available to

- Participate in discussions about the proposed structure of the Borrower or transferee and of the transaction
- Identify legal issues presented by nonstandard features of the proposed transaction (see Sections 6.4 and 6.5)
- Respond to Freddie Mac's questions concerning legal issues (see Section 6.6)
- Provide analysis of certain legal documents affecting the Property (see Section 6.7)
- Participate in and assist Freddie Mac with any negotiations with the Borrower or transferee (see Section 6.8)

### **6.4 Preliminary legal issues memorandum (08/17/23)**

#### **a. When a preliminary legal issues memorandum is required (10/12/17)**

The Seller/Servicer or its legal counsel must submit to Freddie Mac a memorandum ("preliminary legal issues memorandum" or "PLIM"), prepared by the Seller/Servicer's legal counsel, that meets each requirement set forth in Section 6.4(b) when the Seller/Servicer submits each of the following:

- An underwriting package
- An application for approval of a Transfer of Ownership
- Certain other Special Servicing Requests, as specified in the applicable provisions of this Guide

#### **b. Requirements for the PLIM (08/17/23)**

Each PLIM must do each of the following, based on the information then available to the Seller/Servicer and its counsel:

1. List legal risks or issues (if any) presented by characteristics of the proposed transaction ("nonstandard features") that are not contemplated by the Guide, or, for a transfer or other



Special Servicing Request, were not contemplated by the original Loan Documents, and that, unless addressed in the transaction structure or in the legal documents could

- Materially limit document enforceability
  - Materially impede foreclosure
  - Following foreclosure, result in title to the Property being subject to encumbrances or interests that would materially impede the sale of the Property or would materially reduce the sale price, or
  - Materially increase the risks that would result from the Borrower or a guarantor becoming the subject of a bankruptcy or insolvency proceeding
2. State the proposed principal balance of the Mortgage
  3. State whether the Borrower has already been formed and if newly formed, how long it has been in existence
  4. Describe any nonstandard feature or provision that
    - Does not satisfy the requirements of Freddie Mac, is not generally accepted by Ratings Agencies or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with securitization, and/or
    - Could result in an Exception to the Seller/Servicer Representations and Warranties
  5. For a Transfer of Ownership or other Special Servicing Request, identify any nonstandard feature or provision that materially changes management or control of the Borrower
  6. Briefly (in one or two sentences) describe the potential impact of each listed risk or issue of the proposed transaction
  7. Analyze each title exception that requires analysis and approval pursuant to Section 29.2 (or make reference to a separate form of analysis that is required by the Guide with respect to such exception)

Any such risk or issue is referred to below as a "transaction legal issue." Transaction legal issues include issues that arise under the laws of the State in which the Property is located.

The PLIM prepared at the origination of the loan must be prepared using the most current version of the Legal Issues Analysis form (LIA), which is available at [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal).

For a Transfer of Ownership or other Special Servicing Request, the PLIM must be prepared using the most current applicable version of the Preliminary Legal Issues Memorandum Form – Servicing available at [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal).



**c. Disclosure of information by Seller/Servicer (02/28/13)**

The Seller/Servicer must provide its legal counsel with all pertinent information about the proposed transaction then in the possession of the Seller/Servicer in order to enable its legal counsel to prepare the PLIM.

**d. Delivery of the PLIM to Freddie Mac (03/03/14)**

In addition to delivering the PLIM electronically, the Seller/Servicer or its legal counsel must send the PLIM to the applicable Freddie Mac *Multifamily Attorney*, and the Seller/Servicer must include a copy of the PLIM in the underwriting package or application for approval of a Transfer of Ownership or other Special Servicing Request, and in the Final Delivery Package.

If, at the time of submission of the underwriting package or application for approval of a Transfer of Ownership or other Special Servicing Request, the transaction does not include any nonstandard features or any such features present no transaction legal issues, the Seller/Servicer must nevertheless submit a PLIM, but it may be limited to a statement that the Seller/Servicer's legal counsel is not aware of any transaction legal issues.

**e. PLIM for Servicing requests (02/28/13)**

If the application is for the approval of a Transfer of Ownership or other Special Servicing Request, the PLIM must include the counsel's

- Analysis of whether the existing loan documents contain any modifications that must be deleted and/or whether the existing loan documents must be modified to add items in order to properly document the transaction
- Description and analysis of any additional modifications requested by the proposed transferee (However, Servicer's counsel must convey to the transferee's counsel that Freddie Mac's policy is not to permit additional modifications.)

**f. Freddie Mac request for additional analysis or information (02/28/13)**

After reviewing the PLIM, Freddie Mac may request that the Seller/Servicer's legal counsel provide further written information or analysis with regard to any of the transaction legal issues.

**g. PLIM not a legal opinion (02/28/13)**

Freddie Mac does not consider the PLIM to be a legal opinion. The Seller/Servicer's legal counsel may prepare the PLIM on the assumption that the individuals reading and relying upon it will be Freddie Mac's attorneys; and, therefore, the PLIM need not be written in a manner that would be understandable by non-attorneys.

**h. Title and UCC matters (08/17/23)**

A title search and Uniform Commercial Code (UCC) search are not required to be completed before the PLIM is prepared, but the PLIM must identify any transaction legal issues arising from title or UCC matters of which the Seller/Servicer or its counsel have actual knowledge at that time. A transaction legal issue arising from title matters must be analyzed and approved, as set forth in Chapter 29.2.



**i. Cross-collateralized and cross-defaulted Mortgages (02/28/13)**

If the Mortgage is to be cross-collateralized and/or cross-defaulted with other Mortgages, the PLIM must include the additional analysis set forth in Section 6.12.

**j. Investment funds (05/05/17)**

If any Borrower Principal or guarantor is an investment fund, the PLIM must include the additional analysis set forth in Section 9.10.

**k. Regulatory Agreements (12/10/13)**

If the Property is subject to any agreement that restricts the occupancy of all or a portion of the units at the Property (e.g. to seniors or low-income or disabled tenants) or limits the amount of rent that may be charged, Seller's counsel must complete the Regulatory Agreement Analysis form found on the Multifamily Loan Documents page at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal). Seller's counsel must update the Regulatory Agreement Analysis if more information becomes available after the PLIM is completed.

**l. Notices to third parties of origination of Mortgage and assignment to Freddie Mac (05/01/14)**

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

**m. LIHTC Properties electing the Income Averaging Set-Aside (06/15/23)**

For LIHTC Properties electing the Income Averaging Set-Aside, the PLIM and/or the regulatory agreement analysis for the LIHTC Regulatory Agreement must include each of the following:

- Evidence that the LIHTC Investor has consented to the Income Averaging Set-Aside for the Property.
- Analysis of the regulations and/or Qualified Allocation Plan (QAP) implementing the Income Averaging Set-Aside by the tax credit allocating agency of the State in which the Property is located (for example, whether unit mixes are fixed at designation or can change over time), and whether the Property will be in compliance with such regulations and/or QAP, as well as any guidance published by the Internal Revenue Service regarding the same.



## 6.5 Identification of legal issues as they arise (02/28/13)

If, during work on a proposed Mortgage or Transfer of Ownership or other Special Servicing Request, the Seller/Servicer's legal counsel becomes aware of any transaction legal issues that have not previously been identified in the PLIM, the Seller/Servicer's legal counsel must identify such issues to the applicable Freddie Mac *Multifamily Attorney* and briefly describe the possible impact of each such issue on the proposed transaction.

Freddie Mac may request that the Seller/Servicer's legal counsel provide further written information or analysis with regard to any such additional transaction legal issue.

## 6.6 Freddie Mac legal questions (09/08/04)

The Seller/Servicer's legal counsel must provide any additional information that Freddie Mac may request regarding any transaction legal issue, the substance of the law that applies to the proposed transaction, the practical results of applying that law or alternatives for mitigating risks arising from that law.

## 6.7 Document analysis by Seller's counsel (08/17/23)

If the Guide, the Letter of Commitment, the early rate-lock application or the Approval Letter for a Transfer of Ownership or other Special Servicing Request requires that Freddie Mac approve a legal document affecting the Property, the Borrower or the Mortgage, or if Freddie Mac requests further written information about or analysis of a document, then the Seller/Servicer or its legal counsel must submit such a document, accompanied by an analysis of the document prepared by the Seller/Servicer's legal counsel, to the applicable Freddie Mac *Multifamily Attorney*.

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

The document analysis must

- State the proposed principal balance of the Mortgage
- Identify and explain whether the document contains any provisions that do not satisfy the general requirements of Freddie Mac, are not generally accepted by Rating Agencies, or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with a securitization
- Identify any provision that would result in an Exception to the Seller/Servicer Representations and Warranties and provide a proposed Exception to be set forth in the Letter of Commitment
- Identify the parties to the document (and their relationship to the Borrower, where applicable)
- Summarize the document in enough detail that Freddie Mac's attorneys need not read the document itself
- Indicate where the document departs from local law, generally accepted local practice or any applicable standards in the Guide



- Identify the advantages and disadvantages of approving the document
- Identify options for mitigating any such disadvantages

Each document analysis must include the degree of detail that a prudent mortgage lender originating the Mortgage for its own portfolio would need in order to make an informed decision about the document. If a document contains provisions that are either so important or so difficult to analyze that the Seller/Service's counsel believes Freddie Mac's attorneys should read those provisions themselves, rather than rely solely on the analysis, the analysis should identify such provisions and their significance.

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

Documents for which Freddie Mac requires document analysis include:

- Ground leases (See Chapter 30 for the required format of ground lease documentation.)
- A title exception that requires written analysis pursuant to Section 29.2, or with respect to which Freddie Mac otherwise specifically requests an analysis
- Regulatory Agreements requiring that occupancy or tenant income standards be met for purposes of local, State or federal housing programs
- Subordinate Financing documents
- Preferred equity structures
- Merger agreements
- Master leases or operating leases
- Condominium documents (if the Borrower owns less than 100 percent of the condominium)
- Any other document for which Freddie Mac requests an analysis

No document analysis is required for

- A Multifamily Loan Document (including an Assumption Agreement)
- A title insurance commitment or policy



- Tax-exempt bond documents

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

## 6.8 Negotiation of legal documents (03/03/14)

For any Mortgage, if the Borrower requests permission to make one or more changes in a Multifamily Loan Document (including an Assumption Agreement) or any Freddie Mac standard form document for a Bond Credit Enhancement transaction, the Seller/Servicer and its legal counsel must

- Identify the advantages and disadvantages of granting each request
- Identify options for mitigating any such disadvantages
- Explain any feature of local law from which the need for a change arises or that has a material impact on a requested change

In addition, if the Borrower requests permission to make one or more changes in a Multifamily Loan Document (including an Assumption Agreement), the Seller/Servicer and its legal counsel must

- State the proposed principal balance of the Mortgage
- Identify and explain whether such change generally satisfies the requirements of Freddie Mac, is generally accepted by the Ratings Agencies or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with a securitization
- Identify any change that would result in an Exception to the Seller/Servicer Representations and Warranties and provide the wording of the proposed Exception to be set forth in the Letter of Commitment

If the Borrower requests more than five such changes that are not essential to the implementation of the proposed transaction structure and have not been incorporated in prior transactions with the same Borrower, the Seller must submit to the applicable Freddie Mac *Multifamily Attorney*

- A letter from the Borrower or its legal counsel, addressed to the Seller or its legal counsel, that includes the language that the Borrower is requesting for each change and an explanation of why the Borrower is making the request
- The following information from the Seller/Servicer's legal counsel (in the form of a letter, an email, or clear and legible notations on the letter from the Borrower or its legal counsel):
  - The advantages and disadvantages of granting each request
  - Options for mitigating any such disadvantages
  - An explanation of any feature of local law from which the need for a change arises or that has a material impact on a requested change





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

## **6.9 Legal work performed by Freddie Mac's attorneys (09/08/04)**

Freddie Mac may charge a fee to the Seller/Servicer for any legal work that in-house or outside attorneys representing Freddie Mac must perform as a result of the failure of the Seller/Servicer or the Seller/Servicer's legal counsel to perform any task or provide any assistance required by this chapter or by any other provision of the Guide, the Letter of Commitment or early rate-lock application or the Freddie Mac letter approving a Transfer of Ownership or a Special Servicing Request. Freddie Mac reserves the right to charge the Seller/Servicer a fee for any legal work that in-house or outside attorneys representing Freddie Mac perform as a result of other legal issues that arise during a transaction.

## **6.10 Mortgages purchased by Freddie Mac (08/17/23)**

### **a. Attorney review requirements (07/30/10)**

In connection with each Mortgage submitted to Freddie Mac for purchase, an attorney who represents the Seller and who has the qualifications required by Section 6.2 must

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

### **b. Documents to be reviewed (08/17/23)**

The documents that the Seller's counsel must review or prepare include the following items, as applicable, together with all applicable exhibits, attachments and amendments:

1. Note
2. Security Instrument
3. Guaranty
4. Loan Agreement
5. Financing statements
6. Repair and Escrow Agreement, Repair Escrow Agreement, or Repair Agreement
7. Replacement Reserve Agreement
8. Assignment of Management Agreement and Subordination of Management Fees
9. Any other legal document required by the Letter of Commitment or the fully accepted early rate-lock application or executed in connection with the loan



10. Title insurance commitment and/or policy
11. Documents cited as exceptions in Schedule B of the title insurance commitment and/or policy
12. Analysis of title exceptions required under Section 29.2(b)
13. Organizational documents of each entity identified in Section 9.7
14. Opinion of the Borrower's and guarantor's legal counsel and, if applicable, any opinion of the SPE Equity Owner's legal counsel in accordance with Section 29.5

## **6.11 Transfers of Ownership (05/01/14)**

### **a. Attorney review requirements (07/30/10)**

In connection with any Transfer of Ownership or other Special Servicing Request, an attorney having the qualifications required by Section 6.2 must

- Perform the tasks and provide the assistance described in Sections 6.3 through 6.8
- Prepare and/or review all legal documents in connection with the proposed Transfer of Ownership or other Special Servicing Request in accordance with the approval letter

### **b. Documents to be reviewed (03/03/14)**

The documents that the Servicer's counsel must review or prepare include the following items, as applicable, together with all applicable exhibits, attachments and amendments:

1. Freddie Mac's standard Assumption Agreement (for a Transfer of Ownership involving a change in ownership of the Property)
2. Guaranty
3. Replacement Reserve Agreement
4. Repair and Escrow Agreement, Repair Escrow Agreement or Repair Agreement
5. Assignment of Management Agreement and Subordination of Management Fees, if required
6. Easement Agreement
7. Partial Release Agreement
8. Any other legal document required by the Letter of Commitment or the fully accepted early rate-lock application or executed in connection with the loan
9. Title insurance commitment and/or policy
10. Organizational documents of each entity specified in Section 9.7



11. Opinion of the new Borrower's, new guarantor's, and if applicable, new SPE Equity Owner's legal counsel
12. Subordination Agreement
13. Purchase Contract
14. Deed
15. Affirmation by Borrower or guarantor
16. Borrower's Certificate of Representations and Warranties

**c. Scope of Servicer and attorney review (07/30/10)**

The Servicer and its counsel must ensure that

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

**d. Payment of Servicer's counsel fees (05/01/14)**

To the extent that the Loan Documents obligate the Borrower to reimburse the lender for legal fees or expenses in connection with the servicing or enforcement of the Mortgage, the Servicer may require that the Borrower reimburse it for the fees and expenses of its legal counsel.

**6.12 Cross-collateralization analysis (04/18/24)**

If a Mortgage is to be cross-collateralized and/or cross-defaulted with other Mortgages, Seller/Servicer's legal counsel must submit to the applicable Freddie Mac *Multifamily Attorney* a written analysis of and recommendation of how to best accomplish the cross-collateralization and/or cross-default of the Mortgage with the other Mortgages ("Cross Analysis"). The Cross Analysis is to be prepared in connection with the PLIM required in Section 6.4 and submitted to Freddie Mac in the applicable underwriting package. The Cross Analysis must include the following:

- Whether any issues or concerns have been identified in the applicable jurisdiction for the Mortgage or any of the other Mortgages, by the Title Company or by another reliable source (source must be identified to Freddie Mac's satisfaction), that would prohibit or restrict the cross-collateralization or cross-default of the Mortgage with the other Mortgages. Such issues or concerns may include limitations on using a Master Cross-Collateralization and Amendment to Security Agreement or recordation and/or mortgage tax restrictions.
- Whether any restrictions or prohibitions have been identified in the applicable jurisdiction for the Mortgage or any of the other Mortgages, by the Title Company or by another reliable source (source must be identified to Freddie Mac's satisfaction), that would limit the availability of the

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endorsements to the title policy that are then required by Freddie Mac for cross-collateralized and cross-defaulted loans, and if so, the recommendation(s) for best addressing lack of the endorsement(s).

- A recommendation of how to best structure the cross-collateralization and cross-default of the Mortgage and the other Mortgages.
- A recommendation as to what documents, if any, must be recorded in the applicable jurisdiction for the Mortgage or any of the other Mortgages to effectively cross-collateralize and cross-default the Mortgages.

If Seller/Servicer's legal counsel has not identified any issues or concerns regarding the cross-collateralization and/or cross-default of the Mortgage with the other Mortgages, Seller/Servicer's legal counsel must nevertheless submit a Cross Analysis, but the Cross Analysis may be limited to a statement that the Seller/Servicer's legal counsel is not aware, after due diligence, of any issues or concerns regarding the cross-collateralization and/or cross-default of the Mortgages with the other Mortgages, including the title policy or any endorsements to be issued in connection with the title policy.

After reviewing the Cross Analysis, Freddie Mac may request that the Seller/Servicer's legal counsel provide further written information or analysis.

If Seller/Servicer's legal counsel becomes aware of any issues or concerns regarding the cross-collateralization and/or cross-default of the Mortgage with any of the other Mortgages that have not previously been identified in the Cross Analysis, Seller/Servicer's legal counsel must inform the applicable Freddie Mac *Multifamily Attorney* of these issues and briefly describe the possible impact of each such issue on the proposed transaction. Freddie Mac may request that the Seller/Servicer's legal counsel provide further written information or analysis with regard to any cross collateralization and/or cross-default issue.

Seller/Servicer's legal counsel must obtain Freddie Mac's approval of any recommendations in the Cross Analysis prior to origination of the Mortgage.

# Multifamily Seller/Service Guide

## Chapter 6SBL

### SBL Legal Services for Mortgage Origination and Servicing



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- 6SBL.2 [Limited joint representation for origination, purchase, delivery and Servicing \(02/27/25\)](#)
- 6SBL.3 [Single Counsel selection \(02/27/25\)](#)
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d. [Payment of Single Counsel fees \(06/30/16\)](#)

6SBL.15 [Reserved \(06/30/16\)](#)

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

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

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

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

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

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

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

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

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

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

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





- The Seller/Servicer requests or requires Single Counsel to waive or discount any portion of the legal fees or expenses to be paid to Single Counsel in connection with the origination, delivery and purchase of an SBL Mortgage as set forth under the then-current legal fee schedule (to include any “add-on” fees identified in such fee schedule) among Freddie Mac, Seller/Servicer and Single Counsel. Notwithstanding the foregoing, approval of the waiver or discount of fees does not apply when the SBL Mortgage transaction does not close and the legal fees or expenses to be paid to Single Counsel as set forth under the then-current legal fee schedule are reduced by Single Counsel to the actual time value incurred by Single Counsel for such transaction.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

1. Those that are not contemplated by the Guide, or, for a Transfer of Ownership or other Special Servicing Request, were not contemplated by the original SBL Loan Documents, and that, unless addressed in the transaction structure or in the legal documents could result in any of the following:
  - Materially limit document enforceability.
  - Materially impede foreclosure.



- Following foreclosure, result in title to the Property being subject to encumbrances or interests that would materially impede the sale of the Property or would materially reduce the sale price.
- Materially increase the risks that would result from the Borrower or a guarantor becoming the subject of a bankruptcy or insolvency proceeding.

2. Those that:

- Do not satisfy the requirements of Freddie Mac, are not generally accepted by Ratings Agencies or would be likely to negatively impact the ratings of any certificates, notes or other securities to be issued in connection with securitization.
- Could result in an Exception to the SBL Seller/Servicer Representations and Warranties.

3. For a Transfer of Ownership or other Special Servicing Request, any nonstandard features or provisions that materially change management or control of the Borrower.

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

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

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

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

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

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

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

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

- Identify the transaction legal issue being addressed by the PLIM with specificity
- Deliver the PLIM electronically to DMS



- Email the PLIM to the *Multifamily Small Balance Loan Team* and applicable Freddie Mac *Multifamily Attorney*
- Include the PLIM in the underwriting package and in the Final Delivery Package

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

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

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

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

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

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

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

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

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

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

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

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

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



shared use agreements, homeowners' association documents, subordinate loan documents, and HAP contracts.

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

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

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

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

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

### **6SBL.10 Document analysis by Single Counsel (10/12/17)**

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

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

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

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



- The advantages and disadvantages of approving the document
- Options for mitigating any such disadvantages

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

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

Documents for which Freddie Mac may require written document analysis include

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

No written document analysis is required for

- An SBL Loan Document
- A title insurance commitment or policy
- A document affecting title that falls within one of the safe harbors stated in Section 29SBL.2, unless Freddie Mac specifically requests such an analysis





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

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

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

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

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

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

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

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

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

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

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

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





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

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

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

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

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

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

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

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

1. Freddie Mac's standard Assumption Agreement for SBL Mortgages (for a Transfer of Ownership involving a change in ownership of the Property)
2. Guaranty
3. Easement Agreement



4. Partial Release Agreement
5. Any other legal document required by the Approval Letter issued in connection with the transaction
6. Title insurance commitment and/or policy
7. Organizational documents of each entity specified in Section 9SBL.7
8. If required by the Approval Letter, opinion of the new Borrower's and/or new guarantor's legal counsel
9. Subordination Agreement
10. Purchase Contract
11. Deed
12. Affirmation by Borrower or guarantor

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

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

The Servicer and Single Counsel must ensure that

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

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

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

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

# Multifamily Seller/Servicer Guide

## Chapter 7

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



- 7.1 [Prevention, detection and reporting \(04/18/24\)](#)
  - a. [Hiring and training \(08/26/21\)](#)
  - b. [Origination and Servicing \(04/18/24\)](#)
- 7.2 [Reporting requirements \(02/27/25\)](#)
  - a. [Procedures for reporting and what to report \(06/13/24\)](#)
  - b. [Immediate notification and reporting \(02/27/25\)](#)
- 7.3 [Cooperation requirements \(08/26/21\)](#)



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

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

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

- Employee hiring and training
- Origination and Servicing

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

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

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

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

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

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



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

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

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

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

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

This includes information received from sources involved with:

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

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

Accordingly, Seller/Servicers must:

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



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

### a. Procedures for reporting and what to report (06/13/24)

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

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

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



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

**b. Immediate notification and reporting (02/27/25)**

The Seller/Servicer must immediately (within one Business Day after its discovery) report the information identified in Section 7.2(a) to Freddie Mac by completing [Form 1129, Potential Fraud Tip Reporting](#), and emailing it to the Multifamily Fraud *Investigation Unit* at [MF Mortgage Fraud Reporting@freddiemac.com](mailto:MF_Mortgage_Fraud_Reporting@freddiemac.com).

The Seller/Servicer must, within five Business Days following the immediate notification, provide additional information as may be requested in writing to the Multifamily Fraud *Investigation Unit* at [MF Mortgage Fraud Reporting@freddiemac.com](mailto:MF_Mortgage_Fraud_Reporting@freddiemac.com).

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

**7.3 Cooperation requirements (08/26/21)**

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

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

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



# Property, Borrower and Credit Underwriting

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Chapters 8-11

# Multifamily Seller/Service Guide

## Chapter 8

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## 8.1 Introduction (09/08/04)

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

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

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

## 8.2 Structure (12/17/19)

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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





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

**Note:**

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

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

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

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

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

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

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

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

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



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

#### **8.4 Occupancy (02/07/05)**

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

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

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



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

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

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

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



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

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a PLIM with a copy to the applicable Freddie Mac *Multifamily Attorney*.
  - If the Seller cannot provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:
    1. The Seller must submit a damage restoration statement from the zoning authority that



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

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

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

- If the appraiser's conclusion on conformity states that the Property is legal conforming, then no further action is necessary



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

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

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

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

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

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

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

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

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

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





- Description of the Essential Facilities and Recreational Facilities located on the Property, which may include Essential Facilities and Recreational Facilities located on other properties if the Mortgage and the Mortgage for the other properties will be cross-collateralized, cross-defaulted and coterminous as set forth in Section 8.6(d)
- Either (i) confirmation from the Seller/Service'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/Servicer'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/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the Shared 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/Servicer must submit all relevant documents concerning the shared Essential Facilities and shared Recreational Facilities in the final underwriting package and upon Freddie Mac’s request.

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

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

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

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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.



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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

A Mortgage is ineligible for sale to Freddie Mac if

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

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

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

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

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

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

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

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

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

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

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

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





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

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





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

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

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

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

- When submitted as part of the preliminary underwriting package:

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



- When submitted as part of the full underwriting package:

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

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

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

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

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

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

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

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

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

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



the Seller must:

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

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

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

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

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

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

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

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

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

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



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

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

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

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



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

Material repairs more likely to impact habitability are:

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

## 8.18 Condominiums (10/14/16)

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

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

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

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

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



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

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

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

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



of the mortgagees including the following:

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

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

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

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





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

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

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

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

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

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



right is granted to the developer or any other party.

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

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

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

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

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

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

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

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

#### 1. Program eligibility

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

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



## 2. Statutory approval

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

## 3. Continuation of tax abatement

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

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

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

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

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

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



abatement meets the following requirements:

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

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

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

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

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

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

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

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

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

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



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

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

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

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

1. Refinance test for all Mortgages underwritten with tax abatements

Freddie Mac performs a refinance test as follows:

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

2. DCR calculation for all Mortgages underwritten with tax abatements

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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





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

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

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

Freddie Mac will consider purchasing a Mortgage secured by a Property that is subject to a Solar Agreement if the Solar Agreement meets the requirements set forth below.

As used in this Guide, the term “Solar Agreement” collectively refers to any instrument or agreement, or combination of instruments and agreements (e.g., power purchase agreement, interconnection agreement, license, lease, easement, covenant, security agreement, construction agreement, maintenance agreement) related to the design, ownership, financing, installation, operation and/or maintenance of a system (“Solar Electric System”) for conversion of solar energy to electrical energy on the Property.

As used in this Guide, the term “Solar Equipment” collectively refers to the equipment comprising the Solar Electric System.

### b. Analysis (04/18/24)

Seller/Servicer’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/Servicer 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/Servicer or its counsel for mitigating any risk identified in the Solar Analysis or an explanation of why mitigation is not necessary or possible

### c. Title Insurance Policy requirements (12/14/23)

Any Solar Agreement that would result in an encumbrance having priority over the lien of the Mortgaged Property must satisfy the applicable requirements in Chapter 29 and in the [Title Policy and Endorsement Requirements](#).

### d. Borrower Ownership of Solar Electric Systems (12/14/23)

Freddie Mac may permit Borrower to own and install a Solar Electric System in its sole discretion, following a review of the information and recommendations specified in the Solar Analysis and provided that the Solar Agreement otherwise complies with the requirements of this chapter. The Seller/Servicer must pay particular attention to any financial and/or operational obligations imposed on Borrower in the Solar Agreement.

No financing of a Borrower owned Solar Electric System is permitted.





**e. Third-Party Ownership of Solar Electric Systems (12/14/23)**

Freddie Mac may permit third-party ownership (including third-party affiliates) and financing of a Solar Electric System, in Freddie Mac's sole discretion, following Freddie Mac's review of the information and recommendations specified in the Solar Analysis and provided that the Solar Agreement otherwise complies with the requirements of this Chapter. If requested by an approved third-party owner of the Solar Equipment, Freddie Mac authorizes the Lender (i) to specifically exclude the Solar Equipment from the Mortgage UCC financing statement, and (ii) to review and approve the filing of a narrowly-tailored UCC financing statement in favor of the approved third-party owner of the Solar Equipment solely with respect to the Solar Equipment (which specifically excludes any reference to the Property).

**f. Insurance requirements; Property condition report (12/14/23)**

1. If the Solar Electric System is in place as of the Origination Date, Seller/Servicer must verify that the Property satisfies the applicable insurance requirements in Chapter 31.
2. If the Solar Electric System is not in place as of the Origination Date, Seller/Servicer must verify that the Property, after installation of the Solar Electric System, (i) will satisfy the applicable requirements in Chapter 31, and (ii) will not be subject to a material incremental increase in insurance premiums.
3. If the Solar Equipment is owned by a third-party (whether or not related to Borrower), the third-party must be obligated by the Solar Agreement (i) to maintain commercial general liability insurance, including personal injury and property damage coverage against claims arising out of or connected with the use, operation or occupation of the Property for installation, ownership and operation of the Solar Equipment, and (ii) to list Borrower as an additional insured party under such insurance policy.
4. If the Solar Electric System is installed or will be installed on the Property, the property condition report should at least include information on (i) its location, condition, and plan for its operations and maintenance, (ii) the anticipated useful life of the roof and whether that useful life is less than the term of the applicable Solar Agreement, and (iii) any roof warranty and whether the installation of the Solar Electric System voids or limits any roof warranty.

**g. Subordination, Nondisturbance and Attornment (SNDA) (04/18/24)**

Freddie Mac may require a subordination, nondisturbance and attornment agreement ([SNDA – Solar Agreements](#)) in the form available at [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal) with respect to a Solar Agreement to mitigate the risk of any issue identified in the Solar Analysis, including ownership of Solar Equipment by an Affiliate of the Borrower, a right of first refusal, material claim or offset, or a material liability or obligation (e.g., recapture rights, material termination penalties/fees, significant unpaid tenant improvement allowances, or non-customary indemnifications), which, if imposed upon a lender in the event of foreclosure, would not be acceptable, as determined by Freddie Mac in its sole discretion.

Freddie Mac, in its sole discretion, may agree to a nondisturbance agreement with respect to a Solar Agreement that is with an Affiliate of the Borrower or any Borrower Principal (including any guarantor), following a review of the information and recommendations specified in the Solar Analysis.



Freddie Mac will not enter into a subordination, nondisturbance and attornment agreement with respect to a Solar Agreement other than in the form available at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal).

**h. Reserved (12/14/23)**

**i. Solar Agreement loan document requirements (04/18/24)**

Freddie Mac, in its sole discretion, may require additional documents, instruments, or loan document modifications to mitigate the risk of any issue identified in the Solar Analysis, including:

- An estoppel certificate
- An SNDA or subordination agreement pursuant to Section 8.21(g)
- A collateral assignment of an applicable Solar Agreement or rights, contracts, licenses, or permits associated with the Solar Agreement or Solar Electric System
- Credit enhancements to offset any recapture obligations of Borrower
- Modifications to one or more Loan Documents including the [Solar Agreement Rider to Loan Agreement](#)

**j. Connection to the electrical grid; public utilities (12/14/23)**

1. Any Solar Electric System on the Property must have permission to operate (“PTO”) from the public utility for the jurisdiction in which the Property is located, the form and confirmation of which may vary among jurisdictions.
2. If the Solar Electric System is in place as of the origination of the Mortgage, Seller/Servicer must verify that: (i) the Solar Electric System has received PTO, (ii) the Property remains connected to the electric grid, and (iii) neither the Solar Electric System nor the Property is subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located.
3. If the Solar Electric System is not in place and in operation as of the Origination Date, Seller/Servicer must verify that the Property, after installation of the Solar Electric System: (i) will remain connected to the electrical grid, (ii) will not be subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located, and (iii) has received PTO.

**k. Incentives; net-metering service (12/14/23)**

Freddie Mac, in its sole discretion, may require a review of the information specified in the Solar Analysis regarding specific benefits and incentives that the Solar Electric System may be currently claiming or to which it may be entitled. Such review may include a request for additional documents and instruments identified in the Solar Analysis, including:

- Net electric metering agreements



- Specialized financing agreements used to finance the Solar Electric System (e.g., grants, tax equity financing, renewable energy credit sales, etc.)
- Agreements for the transfer of U.S. federal income tax credits to a third party under IRC Section 6418
- Evidence of any recapture obligations of Borrower

## 8.22 Infrastructure Agreements (12/14/23)

### a. General (12/14/23)

As used in this Guide, the term “Infrastructure Agreement” collectively refers to any instrument or agreement, or combination of instruments and agreements (e.g., license, lease, easement, covenant, security agreement, construction agreement, maintenance agreement) related to the design, ownership, financing, installation, operation and/or maintenance of infrastructure (“Infrastructure”) impacting the Property and involving the provision of telecommunication services (including internet, high speed data, cable television, cellular/wireless tower, high speed data, personal communication systems, or similar services) or renewable energy (including solar photovoltaic or wind turbine systems).

### b. Infrastructure Agreements with Affiliates (12/14/23)

1. An Infrastructure Agreement that is not with an Affiliate of the Borrower or any Borrower Principal (including any guarantor), and that meets the requirements set forth in Chapter 29 and in the [Title Policy and Endorsement Requirements](#), does not have to be subordinated to the lien of the Mortgage.
2. Freddie Mac will not subordinate the lien of the Mortgage to an Infrastructure Agreement.
3. An Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any guarantor) and encumbering the Property must be specifically subordinate to the lien of the Mortgage unless the applicable agreement contains a provision for termination by the owner of the Property without cause on 30 days’ notice and without payment of a fee or penalty. The subordination agreement must be recorded if the applicable Infrastructure Agreement is recorded. In addition, Freddie Mac will not agree to a nondisturbance agreement with respect to an Infrastructure Agreement (other than a Solar Agreement in accordance with Section 8.21) that is with an Affiliate of the Borrower or any Borrower Principal (including any guarantor).

### c. Severance of lessor’s interest from the Property (12/14/23)

Freddie Mac will not permit or otherwise approve an Infrastructure Agreement (including a Solar Agreement) that purports to assign Borrower’s interest as “lessor” (or Borrower’s reversionary interest) under a lease to a third party.

# Multifamily Seller/Service Guide

## Chapter 8SBL

### SBL Property Fundamentals



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## 8SBL.1 Introduction (06/30/16)

This chapter details Freddie Mac's requirements for the Property secured by a Small Balance Loan (SBL) Mortgage.

These Property requirements also apply to SBL Special Servicing Requests when appropriate.

## 8SBL.2 Structure (06/16/22)

### a. Structure type and habitability (06/16/22)

The Property must be designed, in whole or in part, for residential use and contain five or more dwelling units. If a Property is in New York and contains six or fewer dwelling units, the Seller must confirm whether it is required under State law to pay a portion of the mortgage recording tax and the Seller must pay such tax at origination of SBL Mortgage if so required; the Seller may not pass the cost of such tax through to the Borrower.

Construction of the Property, including subsurface utilities and off-site improvements, must be completed as of the Delivery Date. If improvements cannot be completed for valid reasons, such as inclement weather, an adequate Reserve for the incomplete items must be established. Reserves must also be established for any repairs, improvements, alterations, conditions or construction as required by Freddie Mac. A satisfactory completion certificate, accompanied by color photographs, must be submitted to Freddie Mac.

Each residential unit in the Property must contain kitchen and bathroom facilities. The Property must be served by public water and sanitary sewer systems.

The Borrower must not participate in home sharing activities, which are defined as short-term rentals (typically less than one month) that are marketed through a peer-to-peer online marketplace or a home sharing platform, nor enter into leases, including master leases, of residential, corporate or commercial units that the Borrower knows or should have known are intended to be used by the tenants for full or part-time home sharing activities. For clarity, nonexclusive examples of home sharing platforms include Airbnb, VRBO, and booking.com.

### b. Commercial use (06/30/16)

Some multifamily rental properties contain space used for commercial (nonresidential) purposes. In addition to space occupied by typical commercial establishments, Freddie Mac also considers suites leased to professionals, such as physicians, dentists and attorneys, and used in the conduct of their professions, to be commercial space. Freddie Mac considers leases for oil, gas and minerals located on, beneath or upon the Property to be commercial use as well.

Mortgages on such Properties are eligible for purchase under Freddie Mac's SBL Purchase Product, provided that each of the following conditions is satisfied:

- Commercial usage is permitted under local zoning and use ordinances
- Utilization of the commercial space is compatible with the Property and the neighborhood



- The amount of commercial income recognized and the lease term must be supported by market comparison
- Underwritten commercial income is no more than 40 percent of Gross Potential Rent (GPR) and is otherwise acceptable to Freddie Mac
- Square footage devoted to commercial space is no more than 40 percent of the Net Leasable Space and is otherwise acceptable to Freddie Mac

Freddie Mac reserves the right to require additional documentation or information for mixed-use properties, including copies of commercial space leases, lease analyses, tenant estoppels, comparable commercial rental and vacancy rate data or other data regarding comparable properties, lease rollover analysis, and separate commercial space income and expense operating history and pro forma.

**c. Reserved (06/30/16)**

**d. Aluminum wiring (06/30/16)**

If any of the buildings at the Property contain aluminum wiring, the Seller must notify Freddie Mac in writing, comply with the requirements of Chapter 62SBL and submit the following documentation:

1. Certification from the appraiser indicating whether the wiring has any adverse impact on the value of the Property
2. A cost estimate from a licensed electrical engineer for any repairs or corrections required by any applicable code
3. Certification of completion for all repairs and corrections to the wiring in the Property required by any applicable code.

**e. Reserved (06/30/16)**

**8SBL.3 Moisture or Mold issues (08/17/23)**

**a. Moisture Management Plan (08/17/23)**

If the physical risk consultant determines that a Moisture Management Plan (MMP) is needed, then the Borrower must maintain an MMP for the Property. The MMP must provide for all of the following requirements:

1. Training the maintenance staff to understand the hazard and respond to all water intrusion events or leaks according to Environmental Protection Agency (EPA) guidelines
2. Providing information to tenants including, but not be limited to





- Tenant housekeeping responsibilities (This information must be provided to tenants when they execute a new lease and at lease renewal.)
  - Tenant responsibility for notifying management in a timely manner regarding moisture or Mold issues
  - Description of any remediation done within a tenant's unit or on a tenant's behalf
3. Identifying the source of and remedying the water intrusion or leak, or remediating the Mold (in accordance with EPA guidelines) and recording the corrective actions taken
  4. Documenting and promptly responding to tenant complaints relating to water intrusion, leaks, Mold, musty odors or health impacts and recording actions taken
  5. Scheduling and documenting routine inspections of building areas to search for evidence of water intrusion, leaks or Mold (At a minimum, these inspections must take place annually for all common areas and areas with a past history of water intrusion, leaks or Mold and at unit turnover or at a tenant's request for all units.)
  6. Keeping all plan documentation at the Property or at the property manager's office and available for the annual assessment inspection by the Servicer

The Moisture Management Plan must indicate that it is for the Property. If requested, a copy of any required Moisture Management Plan must be delivered to Freddie Mac.

For more detailed information on creating a Moisture Management Plan that meets Freddie Mac's requirements, Seller/Servicers should consult the [Moisture Management Plan Handbook](#).

**Note:**

Freddie Mac has published these guidelines to provide the Borrower with assistance in developing a Moisture Management Plan that is responsive to Freddie Mac's requirements. However, the Borrower is not required to use these tools. The tools provided by Freddie Mac are not documents that are ready to be implemented without the Borrower's input regarding the particular practices and conditions at the Property. In addition, Freddie Mac's tools for the preparation of the Moisture Management Plan are not a guaranty that the Property will not experience any issue with moisture or Mold in the future, and use of these tools does not relieve the Borrower of any liability it may have with regard to such issues.

**b. Increased Scrutiny for Moisture or Mold Issues (02/28/18)**

Freddie Mac will require the Servicer to inspect a Property in accordance with the Increased Scrutiny for Moisture or Mold Issues requirements for any Property:

- With a history of moisture or Mold issues identified at underwriting, or
- With moisture or Mold issues identified during the term of the SBL Mortgage, or



- Without a Moisture Management Plan (MMP) (if the physical risk consultant recommended a plan but Freddie Mac waived the MMP)

If a Property is subject to Increased Scrutiny for Moisture or Mold Issues, during the annual assessment inspection, the Servicer must:

1. Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
2. Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
3. Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
4. Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, as well as all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas
5. Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
6. Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

#### c. Special Moisture or Mold Issues Inspection (06/30/16)

Freddie Mac, in its sole discretion, may require a Special Moisture or Mold Issues Inspection for a Property if:

- A moisture or Mold issue has been identified at underwriting
- Mold is identified after a water intrusion event or leak during the term of the SBL Mortgage

Freddie Mac will have the right to continue to require a Special Moisture or Mold Issues Inspection until the moisture or Mold issue has been resolved to its satisfaction. After the Borrower has resolved the moisture or Mold issue to Freddie Mac's satisfaction, Freddie Mac will require a subsequent Special Moisture or Mold Issues Inspection no more frequently than once every three years.

The Borrower will bear the cost of all Special Moisture or Mold Issues Inspections in accordance with the Loan Documents.

A Special Moisture or Mold Issues Inspection must meet the following requirements:

1. A third-party property condition consultant, meeting the requirements of Section 62.8, must conduct the Special Moisture or Mold Issues Inspection.



2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must
  - a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues
  - b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Section 62SBL.5(d)
  - c. Make inquiries of the Borrower or property manager regarding past and current water intrusion or potentially damaging leaks; any known Mold problems; or any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
  - d. Examine any areas where water intrusion or leaks have been reported
  - e. Examine all building components or areas most typically associated with water intrusion or potentially damaging leaks
  - f. Identify any defective building conditions that would likely lead to future water intrusion or potentially damaging leaks
  - g. Provide Freddie Mac with a comprehensive report on the inspection.

#### **8SBL.4 Occupancy (09/30/20)**

For an SBL Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must have a minimum stabilized average physical occupancy of 90 percent for the trailing three-month period prior to underwriting and for the month immediately preceding submission of the full underwriting package to Freddie Mac.

#### **8SBL.5 Zoning and building code conformity; certificates of occupancy (09/26/19)**

- a. For an SBL Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must conform to all applicable zoning, subdivision and use laws, ordinances or codes and local building and housing codes. A zoning report is not required for an SBL Mortgage.
- b. The Seller must confirm that all certificates of occupancy required for the use, operation and occupancy of the Property for its presently-contemplated use have been issued and are in effect or, if certificates of occupancy are not available, that the absence of any certificate of occupancy is not a violation of local laws, ordinance, or codes, nor will it give rise to any enforcement action affecting the Property.
- c. If the Seller cannot confirm the requirements regarding certificates of occupancy specified in Section 8SBL.5, then Freddie Mac may purchase the SBL Mortgage only if all the following requirements are satisfied with respect to each unit for which such confirmation cannot be obtained (each a “Non-Permitted Unit”):
  - The underwritten income from the Property must exclude the gross potential rent (GPR) for any Non-Permitted Unit and the total unit count must not include the Non-Permitted Unit.



- The underwritten expenses for the Property (including management fee and Replacement Reserves) must include all expenses attributable to all Non-Permitted Units.
- The Non-Permitted Units must be excluded from any determination of whether minimum occupancy requirements are satisfied.
- The Appraisal must not include any Non-Permitted Unit or any income derived from any Non-Permitted Unit in either the direct cap or final as-is valuation.
- The insurance for the Mortgaged Property must include full coverage for all Non-Permitted Units and may not contain any exclusion based on the lack of a certificate of occupancy for any Non-Permitted Unit.
- The SBL Physical Risk Report must specifically note the condition of each Non-Permitted Unit is compliant with all local laws related to habitability. Generally, such units must have direct ingress/egress, windows in bedrooms and Essential Facilities. Electrical and plumbing must be consistent with the rest of the building. The SBL Physical Risk Report may include Non-Permitted Units in the total unit count but must note that such units lack a certificate of occupancy or equivalent.
- The Borrower and Guarantor will be liable for any loss, damages or costs suffered by the lender as a result of the use of any Non-Permitted Units.
- For each Non-Permitted Unit, the Borrower will be required to diligently proceed with and complete one of the following remedies, as soon as practicable after the origination of the SBL Mortgage, at the Borrower's election:
  - (i) Obtain a certificate of occupancy for the Non-Permitted Unit
  - (ii) Obtain one of the following, confirming that the absence of a certificate of occupancy will not give rise to any enforcement action affecting the Mortgaged Property:
    - Zoning report
    - Written statement/certification from the applicable governmental authority
    - Opinion of legal counsel
  - (iii) Cease to use the Non-Permitted Unit for residential or commercial purposes, as applicable
- d. If the Property does not conform to current zoning regulations, including those governing density, building restriction lines, size or parking, Freddie Mac may purchase the SBL Mortgage for the Property if one of the following requirements is met:
  - Full Restoration - The Seller must submit documentation that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration



must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Freddie Mac may request that Single Counsel submit a written evaluation of the legislation or variance and its applicability to the Property.

- Limited or Conditional Restoration - If the Seller cannot provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the SBL Mortgage for purchase, the Seller must submit a damage restoration statement from the zoning authority that does each of the following:
  - a) States the requirements of the current zoning classification (i.e., the number of units that could be rebuilt or the set back that would be required under current zoning).
  - b) Specifies the percentage of damage to the Property's market, replacement, or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.

## **8SBL.6 Independent Property (09/26/19)**

### **a. General Requirements (06/30/16)**

Except as set forth in this Section 8SBL.6, Freddie Mac requires that a Property be an "Independent Property". An Independent Property is a Property that satisfies all of the following conditions:

1. Has direct access to a publicly dedicated and maintained street for all improvements and parking spaces without reliance on any easements
2. Contains the Essential Facilities needed to operate independently
3. Contains Recreational Facilities needed to operate independently
4. Is located on contiguous parcels of land; parcels separated only by a public right of way will be considered contiguous
5. Is financially viable and independent of all other properties, including other properties in the same phased development, if applicable

**b. Essential Facilities and Recreational Facilities (06/30/16)**

“Essential Facilities” include the following, if applicable:

- Leasing offices
- Model units
- Parking required for the Property to comply with zoning laws and regulations
- Utility and maintenance buildings
- Heating and cooling systems
- Privately owned/operated utilities
- Pedestrian ingress/egress points (including connecting bridges, tunnels, or walkways)

“Recreational Facilities” include the following, if applicable:

- Swimming pools
- Tennis, basketball and/or other hard-surface courts
- Playgrounds
- Indoor recreation centers, club houses, and gym facilities
- Other recreational facilities
- Laundry facilities, if the units are not equipped with a washer/dryer
- View easements
- Air rights

**c. Purchase of an SBL Mortgage secured by a Property that is not an Independent Property (09/26/19)**

Freddie Mac will consider purchasing an SBL Mortgage secured by a Property that is not an Independent Property provided all the following requirements are satisfied:

1. Seller’s underwriting package must identify that the Property is not an Independent Property and describe what features/circumstances prevent the Property from being an Independent Property and analyze the impact of these features/circumstances on the Property and the SBL Mortgage.
  - For a Property with access via an easement, Seller must describe the access easement and the nature/type of property that Borrower must cross to reach the public right of way



- For a Property that relies on Essential Facilities and Recreational Facilities located on another property, Seller must list which Essential or Recreational Facilities are located on the Property and which are located off-site, and must describe the off-site Essential or Recreational Facilities and their owner(s). Seller must also analyze the feasibility and practicality of Borrower creating or constructing the identified off-site Essential Facilities or Recreational Facilities on the Property. This analysis must include financial considerations as well as zoning issues and the availability of land.
2. Seller's underwriting package must include either (i) confirmation from Single Counsel that any easement, Shared Use Agreement for Essential or Recreational Facilities, and/or any scattered site Property comply or will comply as of the Origination Date with the requirements set forth in this Section 8SBL.6, or (ii) a detailed analysis of which requirements will not be satisfied, and Single Counsel's recommendation as to whether and why Freddie Mac should accept the non-compliant easement, Shared Use Agreement, and/or scattered site Property.

Freddie Mac's approval of any non-compliant provisions in the easement and/or Shared Use Agreement does not discharge or limit the Seller's liability for breach of any warranties made under the Purchase and Servicing Documents. See Section 29SBL.2 for more information on title exceptions.

3. Freddie Mac will require that the Borrower be personally liable for any loss or damages incurred by Freddie Mac because the Property is not an Independent Property and may require one or more of the following as a condition to Freddie Mac's agreeing to purchase the SBL Mortgage:
  - If Freddie Mac determines that it is feasible to create or construct Essential Facilities, Recreational Facilities or direct primary access, Freddie Mac may require the Borrower to make the necessary modifications so that the Property meets all of the requirements for an Independent Property
  - Freddie Mac may require the Borrower to establish a Reserve of the funds necessary to make the required modifications at a later date determined by Freddie Mac
4. If the Property is accessed via an easement, all of the requirements of Section 8SBL.6(d) are satisfied.
5. If the Property does not contain the Essential Facilities needed to operate independently, all of the requirements of Section 8SBL.6(e) are satisfied.
6. If the Property does not contain the Recreational Facilities needed to operate independently, all of the requirements of Section 8SBL.6(e) are satisfied.
7. If the Property is located on non-contiguous parcels of land (Linked Buildings) the transaction must be prescreened by Freddie Mac.



**d. Indirect access (access via easement) (06/30/16)**

Freddie Mac will consider purchasing an SBL Mortgage secured by a Property with primary access to a public right of way via an easement, provided all of the following requirements are satisfied:

1. The easement must provide safe ingress/egress to a publicly dedicated and maintained street.
2. The Property must have good visibility from the public street it accesses via the easement.
3. The easement must be wide enough to provide satisfactory fire/police/utility access and to handle all current and foreseeable types of traffic.
4. If the easement represents a shared access with, or through, another property, the Property must be able to operate satisfactorily without adverse effects (now or in the future) from the other properties that share such access.
5. Signage (if applicable) must be of sufficient size so that it is clearly visible from the public street.
6. The easement must be perpetual.
7. Each party's rights and responsibilities under the easement (including expenses) and remedies in the event of a breach by any other party must be generally acceptable to a prudent lender.
8. The easement may not allow for loss of use in the event of a breach. However, the easement may permit the placement of a lien which is subordinate to the SBL Mortgage for unpaid maintenance costs for the easement.
9. The easement must be recorded in the applicable land records for the jurisdiction prior to the Freddie Mac Funding Date and must be included in the insured legal description of the Property.
10. Seller must include in the underwriting package either a copy of the existing survey, tax map, or satellite images of the Property detailing the location of the easement as well as photographs taken from the public street showing the view of the Property from the public street and the location of the easement as well as the signage for the Property.
11. Seller must provide the appraiser with all information regarding the easement.
12. Seller must notify Freddie Mac and the appraiser if it learns of any circumstances that might limit access to the Property.

**e. Shared Essential Facilities and Recreational Facilities; Shared Use Agreement (06/29/17)**

Freddie Mac will consider purchasing an SBL Mortgage on a Property that utilizes Essential Facilities or Recreational Facilities that are not located on the Property and under the exclusive control of the Borrower, provided all of the following requirements are satisfied:



1. There is a written Shared Use Agreement in place between the Borrower and the party controlling the applicable Essential Facilities or Recreational Facilities.
2. The Shared Use Agreement must be recorded in the applicable land records for the jurisdiction prior to the Freddie Mac Funding Date and must be included in the insured legal description of the Property.
3. The Shared Use Agreement must contain a stipulation that access to and use and enjoyment of the Essential Facilities and/or Recreational Facilities are perpetual and that such rights will inure to the benefit of all future owners of the Property.
4. Each party's responsibilities and share of expenses under the Shared Use Agreement must be stipulated and generally acceptable to a prudent lender.
5. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Use Agreement may not allow for loss of use in the event of a breach. However, the Shared Use Agreement may permit the placement of a lien which is subordinate to the SBL Mortgage for unpaid maintenance costs.
6. The Seller/Servicer must provide the appraiser with all information regarding the Shared Use Agreement.
7. The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit the access to or the use or enjoyment of the Essential Facilities and/or Recreational Facilities.

**f. Reserved (09/26/19)**

**8SBL.7 Tax parcels, taxes and utilities (06/30/16)**

**a. Tax parcels (06/30/16)**

The Property must be identified as a single tax parcel or, if identified as multiple tax parcels, the Property must constitute the entirety of those tax parcels. Any tax parcel or parcels in which the Property is located may not include property that is not subject to the SBL Mortgage sold to Freddie Mac.

**b. Taxes and utilities (06/30/16)**

All taxes (including personal property taxes), other than ad valorem real estate taxes not yet due or payable, and all utility fees and charges must be current.

**8SBL.8 Owner-Occupied units (06/29/17)**

If one or more units at a Property is occupied by either a Borrower, a Borrower Principal (including a Guarantor) or a family member of a Borrower or Borrower Principal ("Owner-Occupied Unit"), then one of the following two conditions must be satisfied:



1. The Property satisfies the minimum DCR requirement for the Mortgage after both (i) excluding the gross potential rent (GPR) of the Owner-Occupied Unit(s) from the underwritten income and (ii) including all expenses attributable to the Owner-Occupied Unit(s).

For each commercial lease, the Seller must submit a Commercial Lease Analysis and Estoppel – SBL in the full underwriting package (see Chapter 55SBL for additional details regarding this requirement). If income from any one commercial lease represents five percent or more of gross potential rent (GPR) for the Property, the [Commercial Lease Analysis and Estoppel – SBL](#) must be signed by the commercial tenant.

2. The SBL Mortgage meets all the following characteristics:
  - (i) The Borrower is an entity
  - (ii) The Borrower provides evidence of trailing one-month collections for each Owner-Occupied Unit
  - (iii) The Property has a minimum DCR of 1.00x after both (1) excluding the GPR of the Owner-Occupied Units and (2) including all expenses attributable to the Owner-Occupied Units
  - (iv) The Property satisfies the minimum DCR requirement for the Mortgage after including the GPR and expenses attributable to the Owner-Occupied Units

For the purposes of this Section 8SBL.8, “family member” means any of the following:

- Spouse
- Child (including step-children)
- Parent (including step-parents and in-laws)
- Grandparent (including step-grandparents and in-laws)
- Sibling (including step-siblings and in-laws)
- Aunt or uncle (including step-aunt, step-uncle and in-laws)
- Niece or nephew (including step-niece, step-nephew and in-laws)

#### **8SBL.9    Reserved (06/30/16)**

#### **8SBL.10    No condemnation or other adverse circumstances—Property (06/30/16)**

No proceeding may be pending for condemnation of all or any part of the Property. There must be no circumstances or conditions of which the Seller is aware involving the Property that adversely affect the value or marketability of the SBL Mortgage.



## 8SBL.11 Nonresidential leases (06/29/17)

### a. General (06/30/16)

For the purposes of this section, the term “commercial lease” refers to any non-residential lease under which the Borrower is the lessor (excluding ground leases, which are addressed separately in this Guide), including telecommunication agreements (as defined in Section 29SBL.2), leases for retail space, office space, laundry facilities, cellular communication equipment, billboards, and petroleum products/minerals.

### b. Analysis (06/29/17)

If income from any one commercial lease represents five percent or more of the gross potential rent of the Property, the Seller must submit a [Commercial Lease Analysis and Estoppel – SBL](#), signed by the tenant, in the full underwriting package for each such lease. Freddie Mac, in its sole discretion, may require a Commercial Lease Analysis and Estoppel – SBL in other circumstances as it deems appropriate.

See Section 55SBL.2 regarding commercial lease documentation required in the full underwriting package.

### c. Tenant improvements and leasing commissions (06/30/16)

Freddie Mac will deduct tenant improvements and leasing commissions from Net Operating Income when underwriting Properties where commercial gross potential rent is five percent or more of the Property’s total gross potential rent. Freddie Mac will require escrow or other acceptable credit enhancement if there will be any outstanding tenant improvements or leasing commission obligations at Mortgage origination. Freddie Mac may require a separate escrow to address the costs of any potential future tenant improvements or leasing commissions.

### d. Reserved (06/30/16)

### e. Subordination, nondisturbance and attornment (SNDA) (06/30/16)

In its sole discretion, Freddie Mac may enter into a subordination, nondisturbance and attornment agreement with a commercial tenant that is not an affiliate of the Borrower and/or a Borrower Principal.

### f. Subordination of a commercial lease with Affiliate (06/30/16)

A commercial lease between the Borrower and any Affiliate of the Borrower or any Borrower Principal (including any Guarantor) must be subordinate to the lien of the SBL Mortgage unless the lease contains a provision for termination by the owner of the Property with or without cause on 30 days’ notice and without payment of a fee or penalty. Such subordination may be contained in the provisions of the lease itself or may be contained in a separate subordination agreement. The subordination agreement must be recorded if the lease is recorded. Freddie Mac will not agree to a nondisturbance agreement for a lease that is with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor).

**8SBL.12 Subordinate Financing (06/30/16)**

Freddie Mac will only permit SBL Subordinate Financing as described in Section 43.30.

**8SBL.13 General property management requirements (04/13/23)**

At all times, the Borrower either must manage the Property or provide for professional management of the Property by a property management company meeting the requirements of the Loan Documents.

A third-party management company will be required if, at the time of Seller Application, there is no individual with Control over the Borrower who resides less than 100 miles from the Property.

However, as an exception to the above, a third-party management company will not be required if at least one Key Borrower Principal with Control of the Borrower meets the requirements of Section 9SBL.2(c)2. No property management company will be acceptable if the property management company appears on the Freddie Mac Exclusionary List or the [Multifamily Restricted Vendor List](#), each of which is available on FreddieMac.com.

See Section 2.18 regarding the Freddie Mac Exclusionary List.

The Servicer must not obtain an Assignment of Management Agreement and Subordination of Management Fees for loans purchased under the Freddie Mac Small Balance Loan Program.

As part of its underwriting process, and as part of its review of a proposed replacement property management company (if required), Freddie Mac will evaluate the appropriateness of the management fee charged by the property management company.

**8SBL.14 SBL Mortgages ineligible for purchase (12/15/22)**

An SBL Mortgage is ineligible for sale to Freddie Mac if any of the following circumstances apply:

- The Property receives any of the following:
  - Local rent subsidies for greater than 10 percent of the units
  - Local rent subsidies for 10 percent or fewer of the units, but the subsidy is contingent on the owner's initial or ongoing certification of each tenant's eligibility
  - Federal rent subsidies (for example, project-based Section 8 HAP program or a similar Federal program)
- The Property is encumbered by any of the following:
  - A regulatory agreement that imposes income and/or rent restrictions if there are funds related to the regulatory agreement that have not yet been disbursed to the Borrower
  - A regulatory agreement that encumbers any property other than the Property



- A Low-Income Housing Tax Credit (LIHTC) land use restriction agreement (LURA) in compliance years 1-12
- A Private Transfer Fee Covenant that was created on or after February 8, 2011
- A HUD foreclosure deed restriction or similar restriction
- The Property benefits from any of the following:
  - Tax exempt bond interest reduction payments (IRPs)
  - Historic Tax Credits (HTCs) that require a master lease structure
- The Property has any of the following tenant characteristics:
  - Seniors housing with resident services
  - Greater than 50 percent concentration of student tenants (whether graduate or undergraduate)
  - Greater than 50 percent concentration of military tenants
- The Property has a Scenario Expected Loss-475 (SEL-475) greater than 40 percent, as determined by a Seismic Risk Assessment (SRA), and the affected buildings have not undergone a seismic retrofit (see Chapter 64SBL for further information on seismic risk assessments)
- The Property is in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA) and the community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available

## 8SBL.15 Property inspections and lease audits (06/13/24)

The Seller must inspect the Property, audit leases and submit the required [Property Inspection and Lease Audit](#) form.

An inspector employed by the Seller who is familiar with evaluating multifamily asset quality must review the age, condition and quality of all major asset components. None of the following individuals may perform the inspection:

- A third-party contractor engaged by the Seller
- Any employee of the Seller responsible (individually or as part of a team) for originating the Mortgage
- Any employee of the Seller directly benefitting financially or otherwise from the origination of the Mortgage

At least two Business Days prior to the scheduled site inspection, the Seller must deliver a rent roll dated within seven Business Days to Freddie Mac.



**a. Reserved (10/12/17)**

**b. Complete property inspection and lease audit (04/18/24)**

At full underwriting, the Seller must conduct a complete property inspection including, but not limited to, the following:

1. The unit inspection must include the following:
  - A minimum number of residential units as follows:
    - The greater of 10 percent of the total number of units at the Property or five units. Inspected units should include a representative sample of vacant units, occupied units, unit types and floor levels, including top floor and bottom floor units. If inspecting the greater of 10 percent of the total number of units or five units results in an insufficient number of inspected units to meet lease audit requirements, then additional units must be inspected to meet those requirements.
  - All Down Units
  - All commercial/non-residential units
  - A representative sample of units with corporate leases
2. Prior to the date of the inspection, unless delegated to the Seller, Freddie Mac must select units for the inspection and the Seller must instruct Borrowers to provide notices to the selected units:
  - For Properties located in Very Small Markets, the Borrowers must provide notification to all tenants that a site inspection is pending.
  - For Properties in all other markets (Top, Standard, or Small Markets), the Borrower must provide advance site inspection notifications to a minimum of twice the required number of units for inspection. If a Property has ten or fewer units, the Borrower must provide notification to all tenants. The number of selected units for which the Borrower must provide notification to tenants must be sufficient for the inspected units to meet lease audit requirements. If the selected units are not sufficient, the Seller must select additional units for which the Borrower must provide notification to tenants.

The inspector may require access to more or different units than those to which the Borrower provided notifications. If the Borrower cannot provide the inspector access to those units, the inspection must be rescheduled and those units inspected before the inspection is deemed complete.
3. On the day of the inspection, an appropriate sample of units must be identified to inspect from the selected units, ensuring that the minimum number of units are inspected and that the inspected units are sufficient to meet lease audit requirements. If Freddie Mac is on-site and participating in the inspection, Freddie Mac will select the units to be inspected. If





Freddie Mac is not present, the Seller will select units to be inspected. Neither the Borrower nor the property manager may select or recommend units to be inspected.

When a property inspection is delegated to the Seller, and the Borrower or the property manager cannot gain access to units, the Seller may substitute originally noticed units for the inaccessible units in order to fulfill the unit inspection and lease-audit requirements. The Seller must identify the inaccessible units and the substituted units in the inspection form.

4. The Seller must interview the property manager, if applicable, to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.
5. The Seller must inspect each building, including exteriors and all common spaces to include the following:
  - Roof access should be gained if not clearly visible from the ground (flat roofs).
  - Inspect a representative sample of ongoing or recently completed unit renovations, if applicable
  - Verify reported completed or in process capital improvements
    - Verification may also be supplemented through review of the Appraisal, Physical Risk Report, or SBL Cash Out Analysis following submission of the full underwriting package
    - If none of the above are sufficient to verify completion of the capital improvements or unit renovations, the UW must require proof of completed capital improvements or unit renovations (such as invoices, etc.)
  - Inspect amenities available to tenants at the Property
  - Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation
  - Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems
6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.
7. The Seller must conduct a market analysis to include the following:
  - Drive by identified rental comparables



- Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket
  - Take photographs of rental comparables when unique issues or material concerns exist
  - If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket
8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:
- Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.
  - Current rent roll from the property manager that was used to prepare the property inspection including the full tenant names, current lease start and end dates and unit occupancy status
  - A sample or unexecuted residential lease or an executed lease with any personal or private information redacted
  - Completed [Property Inspection and Lease Audit](#) form to reflect a lease audit of:
    - If the Property has 15 or fewer total units, 100 percent of occupied units capped at 10 units, or
    - If the Property has more than 15 total units, the greater of 25 percent of all units or 10 units, up to a maximum of 30 units, unless otherwise required by Freddie Mac or the Seller

Additionally, the audited leases: (i) must include all occupied units inspected and (ii) should be selected by the person conducting the inspection. Also, if lease files are maintained on-site, the lease audit must be conducted at the time of the site inspection. The lease audit must also include representative samples of:

- Leases from any inspected corporate units
- Leases signed within the last 60 days
- Effective for transactions taken under application on or after April 18, 2024, validation of leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional



payments (e.g., late fees or other one-time charges).

The Seller/Servicer must retain electronic or hard copy records evidencing Seller's compliance with the verification requirements in this section.

- An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8SBL.15(b)
  - Documentation of complete property inspection in accordance with this section
  - If Freddie Mac has delegated the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement. Delegation to the Seller must be approved by Freddie Mac and is permitted on an exception basis only.

**c. Timing of property inspections and lease audits (06/13/24)**

The inspection and lease audit requirements of Section 8SBL.15(b) must have been completed within 90 days of Freddie Mac's receipt of the full underwriting package.

If the Seller inspection and lease audit are not completed within 90 days of Freddie Mac's receipt of the underwriting package, a new inspection and lease audit must be performed; no recertification will be allowed.

**8SBL.16 Reserved (03/03/17)**

**8SBL.17 SBL Physical Risk Report (12/12/24)**

This section sets forth the requirements, duties and responsibilities of the Seller/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.



3. Additionally, the Seller must:

- Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment
- Prepare Loan Documents which include completion, reserve funding, and other requirements for Capital Replacements and Repairs required by the Letter of Commitment, as applicable
- Provide a copy of the completed SBL Physical Risk Report to the Borrower so that the Borrower is aware of the Priority Repairs (including PR-90 Repairs), as defined in Section 62SBL.3(b), that must be completed by the Borrower per the Loan Document requirements

4. If any of the following conditions exist at the Property and become Priority Repairs, Freddie Mac will require a Reserve for all identified Priority Repairs (including PR-90 Repairs):

- The estimated cost to complete all Priority Repairs (including PR-90 Repairs) identified in the SBL Physical Risk Report is \$25,000 or greater, or
- The Property receives an "Overall Property Condition Rating/Capital Needs Over the Loan Term" rating of "Below Average" or lower in the SBL Physical Risk Report, or "Poor" in the Seller and/or Freddie Mac inspection, or

***For loans taken under Seller Application after December 31, 2024, the following applies:***

- When material repairs are more likely to impact habitability such as:
  - Structural repairs related to foundation/building slabs, stairs, walkways, balconies, decks, and fire escapes
  - Moisture and mold issues requiring the use of a mold remediation professional or where a major building system is identified as the source of moisture
  - Major building system such as electrical (excludes in-unit systems, fixture replacement such as GFCI outlets, smoke detectors, etc.), HVAC, plumbing, down elevator(s)

5. ***For loans taken under Seller Application after December 31, 2024, the following applies:***

If the Priority Repairs exceed \$75,000 or have a material repair more likely to impact habitability as described in 8SBL.17(4), the Seller must submit a remediation plan from the Borrower as to their intended methodology for remediating all repairs within the required time frame. See Guidance – [Priority Repair Remediation Plan](https://mf.freddie.com/lenders/uw) 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 tax abatement to the Property or the Borrower, as applicable, under an eligible program. The Seller/Servicer must:



- Obtain and review the documents required for program eligibility listed in the [Tax Abatement/Exemption Analysis – SBL](#), and
- Include in the applicable underwriting package the Tax Abatement/Exemption Analysis – SBL and the applicable documentation required in the [Tax Abatement/Exemption Analysis – SBL](#)

## 2. Statutory approval

The applicable statute for the tax abatement must be in force at the time that the Seller/Servicer submits the full underwriting package to Freddie Mac.

## 3. Continuation of tax abatement

The Seller/Servicer must determine whether the tax abatement will continue as stated during the term of the SBL Mortgage. The Seller/Servicer must review the documentation for the tax abatement in order to understand:

- The nature of the tax abatement, that is, the length of the abatement and phase-out, if any
- The requirements of the governing authority
- What happens to the tax abatement if the Property is transferred by sale or through foreclosure
- Whether the tax abatement is freely transferable upon sale, foreclosure or similar disposition of the Property, or dependent on the non-profit status of the Borrower and/or Borrower Principal or other non-profit entity in the ownership structure, or other criteria

If there is a concern that the tax abatement will not be maintained as underwritten or may be forfeited, Freddie Mac will either underwrite the SBL Mortgage using full taxes or reduce the SBL Mortgage by an amount that it determines to be commensurate with the risk.

### c. Documentation required for underwriting package and tax abatement approval (04/14/22)

1. For all tax abatements, the Seller/Servicer must include in the applicable underwriting package the evidence of tax abatement documentation listed in Section 55SBL.2.

The form of tax abatement documentation may vary from one taxing authority or governing body to another. The following types of documentation are listed in order of preference:

- Letter from the taxing authority or the governing body granting or confirming the abatement
- Copy of the Borrower's current tax statement showing the amount of taxes assessed



If the tax abatement is subject to periodic renewal and/or reporting, the Seller/Servicer must obtain and include in the underwriting package the evidence that such renewal and/or reporting is current

2. Additional requirements for tax abatements that must be approved by Freddie Mac

In addition to the documentation described above, the Seller/Servicer must:

- Prepare the [Tax Abatement/Exemption Analysis – SBL](#),
- Include the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL, and
- Respond to any issues raised by the Multifamily Attorney

**d. Collateral valuation for tax abatement (06/30/16)**

Freddie Mac has a preferred valuation methodology for an Appraisal of a Property with a tax abatement. See Section 60.23 for instructions for an Appraisal for a Property with a tax abatement.

**e. Refinance test and DCR calculation for Properties with tax abatements (06/30/16)**

1. Refinance test for all SBL Mortgages underwritten with tax abatements

Freddie Mac performs a refinance test as follows:

- The refinance period will be equal to the 10 years following the maturity date of the SBL Mortgage.
- The SBL Mortgage must meet the DCR and LTV requirements of the standard refinance test.

2. DCR calculation for all SBL Mortgages underwritten with tax abatements

Freddie Mac analyzes a Property with a tax abatement under one of the following two scenarios:

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be “infinite” and abated taxes can be utilized to derive the NOI and perform the refinance test:
  - a. The phase-in period, if any, begins at least 10 years after the SBL Mortgage maturity date
  - b. The abatement runs at least 20 years after the Origination Date.
  - c. The abatement runs for the full term of a fully amortizing SBL Mortgage.





For all other SBL Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow analysis to show the effect on NOI of any decrease in the tax abatement for the term of the SBL Mortgage plus 10 years.

# Multifamily Seller/Servicer Guide

## Chapter 9

### Borrower/Borrower Principal Fundamentals



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## 9.1 Introduction (09/08/04)

This chapter details Freddie Mac's requirements for the Borrower. These Borrower requirements may also apply to Special Servicing Requests when appropriate.

The individual program and product chapters detail specific program or product requirements. In the event of a conflict between any provision of this chapter and any provision of another chapter of the Guide that contains requirements for a specific mortgage purchase program or product, the program- or product-specific chapter will control.

See Chapter 9SBL for Freddie Mac's Borrower and Borrower Principal requirements for an SBL Mortgage.

## 9.2 Borrower requirements (02/27/25)

### a. General Borrower requirements (12/12/24)

1. The following types of Borrower are generally acceptable:
  - Limited partnership
  - Corporation
  - Limited liability company
  - Limited liability limited partnership
  - Tenancy-in-Common (TIC), provided that the TIC meets the requirements of Section 9.12
2. The following types of Borrower may be acceptable in limited circumstances and may be subject to additional requirements:
  - General partnership
  - Limited liability partnership
  - Revocable or irrevocable trust, including a Delaware Statutory Trust
  - Real estate investment trust (REIT)
  - Illinois, Indiana, Florida or Virginia land trust, provided that the Borrower meets the requirements of Section 9.4
  - Unincorporated business trust such as a Massachusetts business trust, or
  - Tennessee obligated member entity
3. The Borrower must be an entity formed in the United States.



4. The Borrower is not permitted to be a pension, retirement fund or account.
5. For any Mortgage with a Guarantor, at least one Guarantor must have Control of the Borrower (including through an entity), unless previously disclosed to and approved by Freddie Mac.
6. Seller must immediately notify Freddie Mac if any Key Borrower Principal, or Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.
7. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the Equity Conflict of Interest in writing to Freddie Mac when the Seller delivers to Freddie Mac the preliminary underwriting package for a Seller utilizing the early rate lock delivery option, or the full underwriting package for a Seller utilizing the standard delivery option. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.

**b. Single Purpose Entity (SPE) requirements; newly-formed vs. recycled entities (05/01/14)**

Each Borrower and each SPE Equity Owner (if applicable) must be a Single Purpose Entity (SPE). If the Borrower is a TIC, each tenant must be an SPE.

However, for each Mortgage with an initial principal balance of less than \$5 million, at the request of the Borrower (except for TICs), Freddie Mac will not require the Borrower to be an SPE.

Each SPE Borrower and each SPE Equity Owner (if applicable) must be newly formed; provided, however, that if a Mortgage has an initial principal balance of \$100,000,000 or less, Freddie Mac may accept a recycled SPE if all recycled SPE requirements set forth in the Letter of Commitment or early rate lock application are met.

The Property must be the Borrower's sole asset and the operation of the Property must be the Borrower's sole business. Additional SPE limitations for the Borrower and SPE Equity Owner are set forth in the Loan Documents available at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal).

**c. SPE Equity Owners (05/01/14)**

For each Mortgage with an initial principal balance of \$25 million or greater, or each Mortgage that is part of a cross-collateralized and cross-defaulted pool of Mortgages that are, when aggregated, \$25 million or greater, each Borrower must have an SPE Equity Owner unless the Borrower is a single member limited liability company formed in Delaware or is a corporation.

**d. Key Borrower Principal due diligence (02/27/25)**

If a Key Borrower Principal falls under one of the categories noted below, then the Key Borrower Principal may be subject to additional due diligence requirements, as outlined in Section 11.6, Section 55.2, and/or the underwriting checklists:

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- **First-Time Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in a similar role in the past 10 years with Freddie Mac
- **Limited Multifamily Experience Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has had Control of at least 5 properties in the past 5 years, the majority of which are or were substantially similar to the Property in the number of units or type of property
- **Rapid Growth Sponsor:** Effective for transactions taken under Seller Application on or after February 27, 2025, when the Key Borrower Principal meets the following conditions:
  - (i) Controls at least 15 multifamily properties, and
  - (ii) At least 50% of the multifamily properties Controlled by Key Borrower Principal were purchased within the past three years

Notwithstanding that a Key Borrower Principal meets the above conditions, it will not be considered a Rapid Growth Sponsor if the Key Borrower Principal's Ultimate Control, if applicable, provides appropriate supporting documentation evidencing that such Ultimate Control does not meet the above conditions.

**e. Borrower requirements specific to a Single Member Limited Liability company (06/25/20)**

Except as noted below, each Borrower and each SPE Equity Owner, if applicable, that is a limited liability company with a single member must be formed in Delaware and must have one or more "springing members" in the event the single member ceases to be a member of the Borrower or SPE Equity Owner, as applicable. Additional "springing member" requirements are set forth in the Loan Documents.

Whenever the Guide refers to a "single member" limited liability company, the term "single member" refers to a Borrower or SPE Equity Owner's organizational structure in which the Borrower or SPE Equity Owner has a sole equity member (i.e., the "single member"). A Borrower or SPE Equity Owner that has a sole equity member but has other members or managers that each have a zero percent interest in the Borrower or SPE Equity Owner is also a "single member" limited liability company and must be formed in Delaware.

A Borrower that is a limited liability company (LLC) with a single member will not be required to satisfy the above requirements if the Mortgage has an initial principal balance of \$20 million or less, unless the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are at least \$25 million in the aggregate.



**f. Borrower requirements specific to non-profit Borrowers and Key Borrower Principals (04/13/23)**

This Section 9.2(f) does not apply to partnerships in States in which a non-profit general partner is in place solely to satisfy the eligibility requirement for receiving a tax abatement or other benefits, where there is also a qualified Key Borrower Principal in addition to the non-profit general partner.

**1. General Borrower and Key Borrower Principal requirements**

In transactions where the ownership structure of the Borrower and/or Key Borrower Principal contains multiple non-profit entities performing differing functions, the Seller/Servicer must evaluate each entity on its capacity to perform its particular function, for example, acquisition, development, ownership, asset management, property management or social service provider. The non-profit Borrower and/or Key Borrower Principal being evaluated may not be equally strong with respect to all criteria. Therefore, only the criteria for the areas in which the non-profit entity has direct responsibility or authority need to be applied during the evaluation process.

The Seller/Servicer must apply a higher standard when the non-profit developer is involved in a large-scale development with complicated structures than in a small-scale development with simple structures.

The non-profit Borrower and/or Key Borrower Principal must have reasonable Liquidity (nonrestricted cash balances or restricted cash balances related to the Property), working capital reserves appropriate for the proposed transaction and no material unmitigated contingent liabilities.

When the Seller/Servicer is assessing a non-profit Borrower or Key Borrower Principal for whom the Seller/Servicer originated a Mortgage or assumption within the most recent three years, the Seller/Servicer needs only to update its initial evaluation. Freddie Mac will determine if a non-profit Borrower or Key Borrower Principal meets its requirements.

**2. Specific non-profit Borrower and Key Borrower Principal requirements**

The following requirements apply when a non-profit entity is the Borrower or the Key Borrower Principal:

- The non-profit Borrower/Key Borrower Principal must have a minimum of three years' experience
  - In the same capacity that it will have for the proposed transaction, and
  - Acquiring, developing or owning a minimum of three properties.
- The Borrower/Key Borrower Principal must own and manage other properties in the market where the Property is located.
- The executive director and key staff of the Borrower/Key Borrower Principal must have adequate experience to successfully fulfill their respective roles and





responsibilities.

- The non-profit Borrower/Key Borrower Principal must not have any unresolved internal control or compliance findings.
- The non-profit Borrower/Key Borrower Principal must have no unresolved issues of integrity or conflict of interest.

When the non-profit Key Borrower Principal demonstrates a significant weakness in one or more of the evaluation criteria, Freddie Mac may require the funding of one or more of the following Reserves to mitigate the risk:

- A debt service Reserve in the minimum amount of six months of debt service payments that is funded by the Origination Date, a portion of which may be deferred
- A lease-up Reserve that is funded by the Origination Date
- An operating Reserve that will remain in place until specified rental achievement
- A funded Replacement Reserve that is subject to re-evaluation at 10-year intervals or shorter periods at Freddie Mac's discretion

#### **g. Borrower requirements specific to Crowdfunding (04/13/23)**

1. No direct or indirect interest in Borrower that constitutes a Controlling interest may consist of investments raised via Crowdfunding.
2. No direct or indirect interest in Borrower which may assume Control of Borrower under any terms of either Borrower's organizational documents, or the organizational documents of any entity in Borrower's ownership structure, regardless of whether the change in Control is the subject of a preapproved transfer right, may consist of investments raised via Crowdfunding.
3. The preliminary legal issues memorandum (PLIM) described in Section 6.4 must include analysis of any Crowdfunding in the ownership structures of the Borrower or Key Borrower Principals.

### **9.3 Persons or entities unacceptable as Borrowers, Borrower Principals, SPE Equity Owners, Master Tenants, Operators, Guarantors and Non-U.S. Equity Holders (04/13/23)**

#### **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.

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A land trust that owns Property securing a Mortgage to be purchased by Freddie Mac must be a "sole asset" land trust; that is, the Property must be the only asset of the land trust.

## 9.5 Cooperatives (09/28/18)

Freddie Mac purchases Mortgages secured by multifamily Properties owned by Cooperatives (Co-ops). Co-op Mortgages must comply with the multifamily Mortgage eligibility requirements in addition to meeting the warranties detailed in Section 5.8.

## 9.6 Trusts (06/15/23)

### a. Revocable and irrevocable trusts (06/15/23)

- A revocable or irrevocable trust may be an eligible Guarantor.
- If a revocable trust is a Guarantor, the settlor is a co-Guarantor with the trust.
- A revocable or irrevocable trust or a Massachusetts business trust may be a Borrower only in Freddie Mac's discretion following review of the information described below. A Massachusetts business trust will not be eligible to be a Borrower with respect to a Mortgage that will be securitized in a REMIC trust.
- A trust may not be an SPE Equity Owner.

### b. Trust underwriting requirements (06/15/23)

In addition to its ordinary underwriting procedures, the Seller must take the following steps when reviewing an application for a Mortgage to a trust Borrower or for a Mortgage with a trust Guarantor. The Seller must examine the trust agreement to determine that

- The Seller has received a complete copy of the trust agreement including all amendments.
- If the trust is a revocable trust (also known as a living or inter vivos trust), the settlor (also known as the grantor) is the trustee or one of the co-trustees or there is an institutional trustee.
- If the trust is a revocable trust, the settlor is still alive and is a co-obligor or co-guarantor with the trust.

### c. Trust legal requirements (06/30/15)

#### 1. Legal analysis

The Seller/Servicer's legal counsel must examine the trust agreement to determine that the trust meets all of the following conditions in addition to meeting the general conditions set forth in Section 9.7, where applicable. This analysis is not required for a trust that is a Borrower Principal but is not a Guarantor unless specifically requested by Freddie Mac.



- a. If the trust is the Borrower, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.
- b. If the trust is the Borrower, there is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the Mortgage).
- c. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the Mortgage.
- d. If the trust is the Guarantor, the trustee is authorized to guarantee the debts of another entity.
- e. If the trust is the Guarantor, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Guarantor's ability to guarantee the Mortgage.
- f. A lender can enforce its security interest in the trust property in the event of a default.
- g. The title insurer will provide full title protection to Freddie Mac, without exception for the trust structure.
- h. For a Massachusetts business trust, third parties may rely on a recorded certificate of the trustee certifying that he or she was authorized and directed by the beneficiary to execute and deliver deeds, mortgages, promissory notes, and all other documents required to be executed in connection with the Mortgage.
- i. If the trust is the Borrower, the form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.

## 2. Additional requirements

If the trust fails to fully satisfy any of the above requirements and the trust will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Service's legal counsel must provide a legal analysis detailing which requirements(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the trust agreement without it being fully compliant with this Section 9.6. The legal analysis memorandum must be in compliance with the preliminary legal issues memorandum (PLIM) requirements described in Section 6.4. If the trust agreement fully satisfies all of the above requirements, the Seller/Service's legal counsel must confirm in a PLIM that all such requirements have been satisfied.



## 9.7 Review of Borrower, SPE Equity Owner and Guarantor organizational documents (06/30/15)

The Seller/Servicer's legal counsel must review the organizational documents for any entity (including a trust, investment fund or REIT) that is a Borrower, SPE Equity Owner, or Guarantor to ensure that the following conditions are met:

1. The entity is validly formed under the laws of the State in which it was organized.
2. The entity (except the Guarantor, unless required by Freddie Mac) is qualified to do business in the State in which the Property is located.
3. The entity has the required organizational power to execute, deliver and perform its obligations under the Loan Documents or the Guaranty (as applicable).
4. The individual executing the Loan Documents or the Guaranty (as applicable) on behalf of the entity has been properly authorized by the entity to take such actions on its behalf.
5. The entity complies with any Freddie Mac conditions set forth in the Guide, the Letter of Commitment or the early rate lock application concerning the identity of Borrower Principals.
6. There is no risk of impairment of Freddie Mac's rights resulting from the structure or operation of the entity that would be unacceptable to a prudent institutional lender originating a mortgage loan secured by a comparable property in the same locale as the Property.
7. The entity does not expire during the term of the Mortgage.
8. The organizational documents of a Borrower that is required to be an SPE contain SPE covenants which require the Borrower to meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.
9. The organizational documents of each SPE Equity Owner that is required to be an SPE contain SPE covenants that meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.
10. If applicable, if the Borrower or SPE Equity Owner is a single member limited liability company, the provisions of Section 9.2(e) are met.
11. If required by Freddie Mac, the Borrower or SPE Equity Owner has one Independent Director/Manager as set forth in Section 9.2(d).

The Seller/Servicer's legal counsel will continue to be responsible for review of such documents, notwithstanding any submission of such documents to Freddie Mac. If the organizational documents do not meet the requirements set forth above, the Seller/Servicer's legal counsel must describe the differences and the counsel's recommendations in a PLIM. The legal analysis memorandum must be in compliance with the PLIM requirements described in Section 6.4. If the organizational documents fully satisfy all of the above requirements, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.



## 9.8 Adverse circumstances—Borrower (09/08/04)

There must be no circumstances or conditions of which the Seller is aware involving the credit standing of the Borrower that adversely affect the value or marketability of the Mortgage.

## 9.9 Preferred equity (02/16/23)

### a. Equity contributions requiring Freddie Mac consent (04/14/22)

All Preferred Equity is subject to Freddie Mac's prior approval.

### b. Definitions (02/16/23)

#### 1. Common Equity

A form of investment in an entity provided by an equity investor, where the equity investor:

- Has an equal right to receive distributions, payments or returns (i.e., no such investor or class of investors receives any preferential payments or returns as compared to other equity investors) (sometimes referred to as “pari-passu” equity), or
- Is entitled to receive preferred distributions, payments or returns only out of net cash flow from the Property (i.e., cash flow, if any, available after payment of all operating expenses for the Property, lender's debt service, and any escrows and reserves required by the lender) before any other investor receives any distributions, payments or returns (sometimes referred to as “soft pay” preferred equity)

If Common Equity has any characteristics constituting Preferred Equity or any unacceptable attributes of Preferred Equity as noted in Sections 9 c. and d. below, it will be considered to be a Preferred Equity investment for the purpose of the Guide. Additionally, if any other investment by the Common Equity investor, or an affiliate of the Common Equity investor, is determined to be Preferred Equity, then the Common Equity investment will be considered to be a Preferred Equity investment for the purpose of the Guide.

#### 2. Preferred Equity

Any investment in an entity provided by an equity investor where the equity investor is entitled to receive periodic distributions, payments or returns (e.g., monthly, quarterly, annually, or other set period), that have priority over distributions, payments or returns to any other equity owner, whether or not there is sufficient net cash flow from the Property (sometimes referred to as “hard pay” preferred equity) (“Preferred Equity Return”).

### c. Characteristics constituting Preferred Equity (02/16/23)

Any of the following characteristics constitute Preferred Equity:



- The equity contribution and/or any accrued Preferred Equity Return must be paid on a set date, or the property is subject to a predetermined date of sale or other disposition (“Redemption Date”)
- Equity investor has rights or remedies if not paid the Preferred Equity Return or all or any part of its equity contribution; provided, however, the right to force a sale of the property is not in and of itself a characteristic constituting Preferred Equity
- Equity investor has rights or remedies other than a forced sale if the Property fails to achieve any particular debt coverage ratio (DCR), loan-to-value ratio or other economic performance measure, while the Property is performing under the Mortgage
- Common Equity investments in the Borrower’s organizational structure made by the Preferred Equity investor, or its affiliate(s)

**d. Unacceptable attributes of Preferred Equity (04/14/22)**

The following are unacceptable attributes of Preferred Equity:

1. Any of the obligations related to the Preferred Equity are secured by any form of collateral
2. A Redemption Date that is prior to the maturity date of the Mortgage
3. A cash sweep at the Property level
4. The assignment of any cash reserves at the Property level other than reserves established solely from the proceeds of the equity contribution
5. An intercreditor agreement, subordination agreement, recognition agreement, or any other agreement with the Property lender to limit or delay lender’s rights or remedies
6. An equity investment that also directly or indirectly capitalizes an entity affiliated with the Borrower which owns another property (“Affiliated Property”) unless (a) Freddie Mac also intends to purchase a mortgage secured by the Affiliated Property and (b) the Mortgage and the mortgage on the Affiliated Property will be cross-collateralized or cross-defaulted
7. The right for the Preferred Equity investor or its assignee(s) to remove or replace the person or entity with direct or indirect control of the Borrower (“Preferred Equity Control Takeover”) based on the actions or inactions of any Person in any entity other than the Borrower or an entity in the Borrower’s ownership structure
8. The right for the Preferred Equity investor or its assignee(s) to exercise any rights or remedies based on the economic performance of a property other than the Property
9. The right for the Preferred Equity investor or its assignee(s) to make protective advances that increase the size of the Preferred Equity investment for any reason other than to pay debt service, taxes, or insurance





10. The right for the Preferred Equity investor or its assignee(s) to acquire the equity interests of (i) the person or entity with direct or indirect control of the Borrower, or (ii) any other equity owner, without purchasing those interests for fair market value
11. Documentation of additional terms and requirements of the Preferred Equity investment other than in the organizational documents (i.e., there may not be any side letters)
12. The Preferred Equity investment is subject to draws, phased or deferred funding. Any Preferred Equity investment must be fully contributed on or prior to the Origination Date
13. The right to exercise a Preferred Equity Control Takeover based on the Property's failure to achieve specific, quantifiable occupancy, NOI, debt service or other economic performance measures while the Property is performing under the Mortgage
14. Permits any payment to an equity investor before payment of operating expenses of the Property and all sums due to the lender under the Loan Documents
15. Includes any other attribute that Freddie Mac determines circumvents Freddie Mac's intent with respect to an acceptable Preferred Equity investment

**e. Preferred Equity guaranty (04/14/22)**

Any guaranty provided in connection with Preferred Equity must:

1. Not include a guaranty of repayment of the Preferred Equity from any person or entity that is also providing a Guaranty in connection with the Mortgage ("Mortgage Guaranty")
2. Be expressly subordinate in all respects to the Loan Documents
3. Not include any guaranteed obligations other than:
  - Obligations that are substantially similar to the guaranteed obligations under the Mortgage Guaranty, and
  - The obligation to guaranty loss or damage caused by the trigger events set forth in the document "[Preferred Equity Guaranty Acceptable Trigger Events](#)"

**f. Required analysis; compliance (02/16/23)**

1. Prior to issuance of the Quote, the Seller/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/Service's counsel must deliver [the Equity Analysis](#) no later than the delivery of the full underwriting package.
3. Seller/Service 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/Service's counsel must confirm that the operating agreement, joint venture agreement or similar agreement governing the Preferred Equity investment contains a prohibition against modifying any of the terms of the Preferred Equity, including the terms relating to the Preferred Equity Return, the Redemption Date or the amount of the Preferred Equity (except to decrease the amount of the Preferred Equity or the Preferred Equity Return) during the term of the Mortgage without the lender's consent

**g. Underwriting Preferred Equity (02/16/23)**

1. The following underwriting requirements will apply to a Mortgage with Preferred Equity, and will be based upon Freddie Mac's final determination of NOI and value:
  - The amount of all Mortgages secured by the Property plus the Preferred Equity must not exceed 90 percent of value of the Property on the Origination Date. For purposes of this calculation, the Preferred Equity will include any Common Equity investment deemed to be a Preferred Equity investment pursuant to Section 9.9 (b) above.
  - For fixed-rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage's amortizing debt service payment and the amount of the Preferred Equity Return must be at least 1.05x.
  - For Floating-Rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage's amortizing debt service payment based on the comparable fixed rate and the amount of the Preferred Equity Return must be at least 1.05x.
2. If the Preferred Equity investment provides that the Preferred Equity Return changes during the term of the Mortgage, Freddie Mac will use the weighted average of the total Preferred Equity Returns to calculate the DCR
3. If Freddie Mac permits a Preferred Equity investment that would otherwise not be permitted pursuant to Section 9.9(d)(12) above, then for purposes of underwriting the proposed Mortgage with Preferred Equity, Freddie Mac will deem any Preferred Equity not fully contributed until after the Origination Date to be fully funded on the Origination Date



## 9.10 Investment fund (12/14/17)

### a. Investment fund requirements (12/14/17)

In addition to its ordinary underwriting procedures, the Seller/Servicer must provide any information requested by Freddie Mac when it reviews an application for a Mortgage with an investment fund Guarantor.

### b. Investment fund legal requirements (12/14/17)

If any Guarantor is an investment fund, the Seller/Servicer's counsel must review the organizational documents for the investment fund to ensure that, in addition to meeting the general conditions set forth in Section 9.7, where applicable, the following conditions are met:

1. The investment fund's termination date does not occur prior to the maturity date of the Mortgage.
2. The investment fund's organizational documents contain a customary provision regarding the orderly dissolution of the fund upon the occurrence of the investment fund's termination date.

Additionally, if specifically requested by Freddie Mac, this analysis of whether the conditions set forth in (1) and (2) above have been met may be required for an investment fund that is a non-guarantor Borrower Principal.

The Seller/Servicer's legal counsel will continue to be responsible for review of such organizational documents, notwithstanding any submission of such documents to Freddie Mac.

The Seller/Servicer's legal counsel must confirm in a preliminary legal analysis memorandum (PLIM) described in Section 6.4 that the organizational documents for the investment fund fully satisfy the above requirements. If the investment fund's organizational documents do not meet the above requirements, the PLIM must include a description of the differences and recommendations as to why Freddie Mac should approve the investment fund as a Guarantor or non-guarantor Borrower Principal, if required, without its organizational documents being fully compliant with this Section. Additionally, if the investment fund's termination date occurs prior to the maturity date of the Mortgage, the PLIM must include an explanation of any renewal options available to extend the fund and how such renewal options are exercised.

## 9.11 Foreign Guarantor (02/22/24)

A Foreign Guarantor is one of the following:

- Not a United States entity
- Not a United States citizen or lawful permanent resident of the United States
- A United States citizen or lawful permanent resident of the United States who does not reside in the United States



If Freddie Mac approves a Foreign Guarantor, Freddie Mac will require the Foreign Guarantor to appoint an agent in the United States acceptable to Freddie Mac for service of process on behalf of the Foreign Guarantor. The Borrower ownership structure must at all times comply with the requirements of Section 9.2.

If there is no additional financially compliant United States Guarantor, the Foreign Guarantor will be required to:

- Maintain a minimum Liquidity in one or more U.S. bank account(s) of five percent of the original principal balance of the Mortgage, or such other amount as Freddie Mac may require. If there is more than one Foreign Guarantor, the minimum five percent Liquidity requirement may be held in the aggregate by the Foreign Guarantors. The bank(s) holding the account(s) must be acceptable to Freddie Mac.
- For any Mortgage greater than \$40 million, provide an additional non-consolidation opinion acceptable to Freddie Mac, written in English, from the Foreign Guarantor's country of citizenship and/or residency.
- For any Mortgage greater than \$50 million, deliver an opinion of counsel, written in English, covering (i) the validity and enforceability of the form of appointment of the process agent under the laws of the Foreign Guarantor's country of citizenship and/or residency, even if there were to be a change, whether voluntary or involuntary, in the Foreign Guarantor's permanent residence status in the United States, and (ii) the procedure for the collection and enforcement of any U.S. judgment obtained against the Foreign Guarantor in the Foreign Guarantor's country of citizenship and/or residency. The opinion must be acceptable to Freddie Mac and must be given by a firm that is familiar with the applicable laws of the country and which is otherwise acceptable to Freddie Mac.

## 9.12 Tenancy-in-common (TIC) (04/15/21)

A TIC may be an eligible Borrower if it meets all of the following conditions.

### a. Conditions applicable to TIC owners (06/30/15)

- There may not be more than 10 TIC owners.
- Each TIC owner must be a Single Purpose Entity (SPE) regardless of the size of the loan.

### b. Tenant in common agreement (09/25/15)

The tenant in common agreement ("TIC Agreement") must include the following (all references to Freddie Mac may be to any mortgage lender in general; all references to the Mortgage may be to any loan in general; all references to Freddie Mac Loan Documents may be to loan documents in general):

#### 1. General



- Name, address, telephone number and percentage of ownership interests of each TIC owner
- Requirement that no termination, modification or waiver of the TIC Agreement may be made without Freddie Mac's prior written consent
- Provision that names Freddie Mac as a third-party beneficiary of the TIC Agreement
- Provision that allows Freddie Mac to enforce the provisions of the TIC Agreement against any party to the TIC Agreement
- Specific provision for transfer of ownership interests, particularly in the event of death of an individual, or divorce of a couple owning a common interest

## 2. Management

- The name of the entity that is responsible for the management of the Property ("Manager")
- The authority of the Manager for both actions and expenditures

The Manager must have actual or effective authority for managing the day-to-day operation of the Property and leasing the Property and must control the operating budget, operating account(s), and other accounts with respect to the Property. The Manager must at all times be a "Qualifying Manager" as set forth below. The TIC owners and the Manager (unless the Manager is a third-party manager) must agree to stand still with respect to the enforcement of any of their rights and remedies under the management agreement and must not take any enforcement action with respect to the management agreement so long as the Mortgage is outstanding.

A "Qualifying Manager" is a property manager acceptable to Lender which meets all of the following requirements:

- Is a reputable management company having at least five years' experience in the management of multifamily properties and in the metropolitan area or other appropriate geographic area in which the Property is located
- Has, for at least five years prior to its engagement as property manager, managed at least five multifamily properties
- At the time of its engagement as property manager, has units of the same property type as the Property equal to the lesser of (A) 10,000 units and (B) five times the number of units the Property has
- Is not the subject of a bankruptcy or similar insolvency proceeding
- Decisions for which consent from the TIC owners is required
- If the TIC owners' consent is required, the percentage required and how that consent can be given (For example, does consent need to be in writing?)



- An irrevocable power-of-attorney from the TIC owners for the Manager to deal with Freddie Mac on matters relating to the operation and maintenance of the Property

### **3. Limitations on TIC owners**

The TIC Agreement must provide that at all times while the Mortgage is outstanding, each TIC owner will agree to the following:

- Not to seek to partition the Property
- Not to allow its interest in the Property to become subject to any liens from any third parties and if a lien is filed by a third party to promptly discharge such lien
- To the extent applicable, to waive its rights to residency in the Property
- To promptly notify all other TIC owners and Freddie Mac of any change in address or telephone numbers
- To waive any and all lien rights it holds against any other TIC owners, including any capital calls, for a failure of such TIC owner to perform its obligations as a tenant in common, either under the TIC Agreement or at law
- To subordinate any and all rights and remedies, including rights of indemnity or otherwise, under the TIC Agreement or at law, to the lien of the Mortgage and all other terms and provisions of the Loan Documents
- To stand still with respect to the enforcement of any of their rights and remedies, under the TIC Agreement or at law, and take no enforcement action with respect to such rights and remedies

### **4. Requirements related to the Mortgage**

The TIC Agreement must include all of the following;

- Provision that all payments under the Mortgage have priority over distributions to the TIC owners and that all distributions to TIC owners will in all ways be subordinate and subject to the terms and conditions of the Mortgage
- Requirement that each TIC owner will promptly respond to requests for information from other TIC owners and Freddie Mac
- Requirement that each TIC owner will promptly make themselves available for execution of documents required by Freddie Mac
- Agreement that any rights of first refusal with respect to or options to purchase the Property will be subordinate to the lien of the Mortgage
- Provision that the TIC Agreement is subject to all requirements and restrictions set forth in the Freddie Mac Loan Documents, noting particularly that any provisions for



transfer of ownership interests are subject to, and may be limited by, the provisions of the Loan Documents

**c. Additional requirements pertaining to TIC Agreements (04/15/21)**

If the TIC Agreement fails to fully satisfy any of the requirements outlined in Sections 9.12(a) and (b) above, and the TIC Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Service's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the TIC Agreement without it being fully compliant with this Section 9.12. If the TIC Agreement fully satisfies all of the requirements above, the Seller/Service's legal counsel must confirm in a PLIM that all such requirements have been satisfied.



# Multifamily Seller/Service Guide

## Chapter 9SBL

### SBL Borrower/Borrower Principal Fundamentals



- 9SBL.1 [Introduction \(06/30/16\)](#)
- 9SBL.2 [Borrower and Borrower Principal requirements \(02/27/25\)](#)
  - a. [General Borrower requirements \(12/12/24\)](#)
  - b. [Borrower Single Asset Entity \(SAE\) and Restricted Multiple Asset Entity \(Restricted MAE\) requirements \(06/16/22\)](#)
  - c. [Borrower Principal, Key Borrower Principal \(including Guarantor\) requirements \(02/27/25\)](#)
  - d. [Guarantor requirements \(02/27/25\)](#)
  - e. [Foreign Borrower Principal \(including Foreign Guarantor\) \(02/22/24\)](#)
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- 9SBL.3 [Persons or entities unacceptable as Borrowers, Borrower Principals and Guarantors \(04/13/23\)](#)
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- 9SBL.4 [Reserved \(06/30/16\)](#)
- 9SBL.5 [Reserved \(06/30/16\)](#)
- 9SBL.6 [Trusts \(06/15/23\)](#)
  - a. [Trust underwriting requirements \(06/15/23\)](#)
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- 9SBL.12 [Tenancy-in-common \(TIC\) \(06/30/16\)](#)



## 9SBL.1 Introduction (06/30/16)

This chapter details Freddie Mac's Borrower and Borrower Principal requirements for a Small Balance Loan (SBL) Mortgage. These requirements may also apply to Special Servicing Requests when appropriate.

## 9SBL.2 Borrower and Borrower Principal requirements (02/27/25)

### a. General Borrower requirements (12/12/24)

1. The following types of Borrower are generally acceptable:
  - Limited partnership
  - Limited liability partnership
  - Limited liability company
  - Real estate investment trust (REIT)
  - Irrevocable trusts meeting the requirements of Section 9SBL.6
  - Tenancy-in-Common (TIC) meeting the requirements of Section 9SBL.12, provided the TIC has five or fewer members
2. The following types of Borrower are not permitted:
  - Individual
  - Land trusts or business trusts (including Delaware Statutory Trusts)
  - Pension or retirement funds or accounts
  - Not-for-profit corporations
  - Tennessee obligated member entity
3. The following types of Borrower may be approved by Freddie Mac in its discretion:
  - Revocable trust meeting the requirements of Section 9SBL.6
  - General partnership
  - For-profit corporation
  - Restricted Multiple Asset Entity meeting the requirements of Section 9SBL.2(b)(3)
4. Borrower must be organized in the United States.



5. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the conflict in writing to Freddie Mac when the Seller delivers the full underwriting package. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.
6. Borrower must not be involved in any active bankruptcy, foreclosure, deed in lieu of foreclosure, or other liquidation proceeding.

**b. Borrower Single Asset Entity (SAE) and Restricted Multiple Asset Entity (Restricted MAE) requirements (06/16/22)**

1. Unless either of the following scenarios apply, Borrower must be a Single Asset Entity (SAE), the full requirements for which are set out in the Loan Documents:
  - (i) Borrower is a revocable trust approved by Freddie Mac
  - (ii) Borrower is a Restricted Multiple Asset Entity (Restricted MAE) approved by Freddie Mac that satisfies the conditions specified in Section 9SBL.2(b)(3)
2. If Borrower is an SAE, the Property must be Borrower's sole asset and the operation of the Property must be the Borrower's sole business. Generally, a Borrower that is organized as a Single Purpose Entity (SPE) also satisfies the SAE requirements.
3. If a Restricted MAE Borrower is approved by Freddie Mac, in addition to the requirements set out in the Loan Documents, all the following additional conditions apply:
  - (i) The Property and any additional real property disclosed in writing to Seller prior to Origination (Additional Permitted Property) must be Borrower's only assets.
  - (ii) The operation of the Property and the Additional Permitted Property must be the Borrower's sole business.
  - (iii) Borrower may not acquire assets beyond the Property and the Additional Permitted Property after Origination.
  - (iv) Borrower may sell, finance, or refinance all or a portion of the Additional Permitted Property during the term of the Loan.

**c. Borrower Principal, Key Borrower Principal (including Guarantor) requirements (02/27/25)**

1. General Requirements. A Borrower Principal (including all Guarantors), must satisfy all of the following requirements:
  - Be an individual, or if approved by Freddie Mac, an entity formed in the United States
  - If an individual, must:



- Either be a United States citizen or lawful permanent resident of the United States, and be residing in the United States, or
- An individual meeting the Foreign Borrower Principal requirements in Section 9SBL.2(e)
- Key Borrower Principals that directly or indirectly control an entity Borrower must either be an entity formed in the United States, or an individual that is a citizen or lawful permanent resident of the United States.
- If an individual is identified as the Key Borrower Principal with the primary responsibility for the daily operations of the Property, they must:
  - Reside within 100 miles of the Property
  - Manage and/or own United States real estate assets other than the subject Property and have a demonstrated understanding of United States real estate practices.

Seller must immediately notify Freddie Mac if any Key Borrower Principal, or any Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.

2. Key Borrower Principal Requirements. In addition to the requirements set forth above, at the time of the “as of date” of a compliant [Form 1116, Real Estate Schedule](#), Seller Application, or submission of the full underwriting package, at least one Key Borrower Principal must:
  - Have had Control of and owned an equity interest in (including through an entity) at least three multifamily properties each with five or more units (which may include the Property), together with Control (including through an entity) of at least one of these multifamily properties for the preceding two years, without interruption, or
  - Have had Control of and owned an equity interest in (including through an entity) a multifamily property containing five or more units (which may include the Property) for at least the five preceding years, without interruption, or
  - Have had Control of and owned an equity interest in at least 10 residential units (including through an entity) consisting of 2- to 4-unit properties for a minimum of the preceding two years.
3. Key Borrower Principal Due Diligence. For each Key Borrower Principal with Ultimate Control or Guarantor meeting the following conditions:
  - (i) Does not individually meet the criteria noted in Section 9SBL.2(c)(2) above when the Seller/Service received Freddie Mac approval to deliver a full underwriting package, or



(ii) Is a First-Time Sponsor or Rapid Growth Sponsor, both of which are defined below, then the Seller/Servicer must provide each of the following in its underwriting package:

- Liquidity Verification documentation (See Section 55SBL.2)
- A [Form 1116, Real Estate Schedule](#), that complies with the verification and record retention requirements set forth in Section 11.6(b) and (c).

**First-Time Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in a similar role in the past 10 years with Freddie Mac.

**Rapid Growth Sponsor:** Effective for transactions taken under Seller Application on or after February 27, 2025, when the Key Borrower Principal meets the following conditions:

- (i) Controls at least 15 multifamily properties, and
- (ii) At least 50% of those multifamily properties Controlled by Key Borrower Principal were purchased within the past three years

Notwithstanding that a Key Borrower Principal meets the above conditions, it will not be considered a Rapid Growth Sponsor if the Key Borrower Principal's Ultimate Control, if applicable, provides appropriate supporting documentation evidencing that such Ultimate Control does not meet the above conditions.

#### d. Guarantor requirements (02/27/25)

In addition to the Borrower Principal requirements in Section 9SBL.2(c), a Guarantor must satisfy all of the following requirements:

- At least one Guarantor must have Control of the Borrower (including through an entity)
- Demonstrate a minimum net worth that is equal to the SBL Mortgage amount, including any adjustments required for Guarantors meeting the criteria set forth in Section 9SBL.2(c)(3)
- Demonstrate Liquidity equal to nine months of amortizing debt service before origination of the SBL Mortgage
- Must not be involved in any active bankruptcy, foreclosure, deed in lieu of foreclosure, or other liquidation proceeding, either directly or through any entities owned in whole or in part by the Guarantor
- If an individual, must have FICO® scores of 680 or better with at least two of the national credit bureaus (Equifax, TransUnion or Experian) or an average FICO score of 680 or better with all three national credit bureaus



- If an entity, must provide evidence of at least twice the minimum net worth and Liquidity requirements

**e. Foreign Borrower Principal (including Foreign Guarantor) (02/22/24)**

Freddie Mac may approve a Borrower Principal that is any of the following:

- Not a United States entity
- Not a United States citizen or lawful permanent resident of the United States
- A United States citizen or lawful permanent resident of the United States who does not reside in the United States

Freddie Mac may also approve such a Borrower Principal as a Guarantor (Foreign Guarantor) provided each of the following requirements apply:

- Foreign Guarantor must manage and/or own United States real estate assets other than the Property, and have a demonstrated understanding of United States real estate practices,
- Foreign Guarantor must appoint an unaffiliated agent in the United States acceptable to Freddie Mac for service of process on behalf of the Guarantor (for example, an attorney or a company whose business is to accept service of process for its customers), and
- If there is no financially compliant United States Guarantor, the Foreign Guarantor(s) must:
  - Provide evidence of at least 2x the minimum net worth and Liquidity requirements.
  - Maintain a minimum Liquidity in one or more U.S. bank accounts equal to five percent of the original principal balance of the SBL Mortgage, or such other amount as Freddie Mac may require; the bank(s) holding the account must be acceptable to Freddie Mac. This requirement may be satisfied in the aggregate by the Foreign Guarantor(s) exclusive of any U.S. Guarantor Liquidity.
  - If there is one or more Foreign Guarantor(s) and no financially compliant U.S. Guarantor, the minimum Foreign Guarantor net worth and Liquidity requirements may be satisfied in the aggregate by the Foreign Guarantors and any non-compliant U.S. Guarantors.

**f. Reserved (09/26/19)**

**g. Borrower requirements specific to Crowdfunding (02/28/20)**

No direct or indirect interest in Borrower may consist of investments raised via Crowdfunding.

**9SBL.3 Persons or entities unacceptable as Borrowers, Borrower Principals and Guarantors (04/13/23)**

**a. Unacceptable persons or entities (04/13/23)**



Freddie Mac will not purchase any Mortgage or allow any Transfer of Ownership under Chapter 41SBL, or approve any other Servicing-related transaction if it determines that any of the following is true with regard to a Borrower, Borrower Principal, or Guarantor or any person or entity that is proposed as a potential Borrower, Borrower Principal or Guarantor:

1. Is a confirmed match to a name on any of the following lists:
  - OFAC Specially Designated Nationals and Blocked Persons List
  - OFAC Consolidated Sanctions List
  - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
  - Freddie Mac Exclusionary List
2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering
3. Has a civil or criminal Conviction in connection with a financial crime such as embezzlement, fraud, misappropriation of funds
4. Is named as an accused or defendant in any pending or current criminal or civil proceeding relating to any of the crimes set forth in subsection 2 and 3 above
5. Is insolvent or the subject of a pending bankruptcy or similar proceeding
6. Is an adverse party to Freddie Mac in any pending or current litigation

**b. Potentially unacceptable persons or entities (04/13/23)**

Freddie Mac, in its sole discretion, may refuse to enter into a Letter of Commitment to purchase a Mortgage or allow any Transfer of Ownership under Chapter 41SBL, or approve any other 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.

# Multifamily Seller/Servicer Guide

## Chapter 10

### Fundamentals of Mortgages, Mortgage Origination and Credit Underwriting



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## 10.1 Freddie Mac's core credit principles (11/30/12)

Freddie Mac bases its credit decisions on the following core credit principles:

- **Cash Flow:** Freddie Mac invests in Mortgages secured by residential rental properties that produce sustainable cash flow sufficient to provide net operating income that will cover the debt service for the entire term of the Mortgages.
- **Market Knowledge:** Freddie Mac considers a current and comprehensive knowledge of the economic strength and resiliency of the applicable market to be key to any prudent credit decision.
- **Equity:** Borrower Principals (sponsors) who have verifiable cash investment in a Property will receive the best credit terms since they have a strong incentive to actively manage the operation of the Property, which contributes to the growth of equity.
- **Viable Exit:** Each Mortgage must show a clear, definable exit at loan maturity through refinance, sale or amortization. The projection of exit at maturity must take into consideration future interest rate and value estimates as well as other possible market constraints.
- **Sponsorship:** Borrower Principals (sponsors) who have the most operational experience, the greatest financial strength and the most extensive property ownership will be eligible for the best credit terms since these are key factors to the long-term success of multifamily properties.
- **Quality Real Estate Collateral:** Properties securing Freddie Mac-owned Mortgages must be of good quality, representing high standards for the applicable property class and market.

The individual program and product chapters detail specific program or product requirements. If there is a conflict between any provision of this chapter and any provision of another chapter of the Guide that contains requirements for a specific Mortgage purchase program or product, the program- or product-specific chapter will control.

## 10.2 Seller/Servicer evaluation of Property and Borrower (04/13/23)

### a. Seller/Servicer evaluation factors (04/13/23)

The underwriting of a multifamily Mortgage involves consideration of the economics of the Property as well as of the financial capability, credit standing and managerial ability of the Borrower.

The Seller/Servicer must determine that each multifamily Mortgage offered for sale to Freddie Mac meets the purchase standards and other requirements commonly acceptable to private institutional mortgage investors in the area in which the Property is located. The Seller/Servicer must base this determination on its thorough evaluation of all available pertinent information. The Seller/Servicer's evaluation must include an analysis of the Borrower's investment policy and long-range plans for the Property.

The Seller/Servicer must memorialize the gathered information and its evaluation in writing.

The Seller/Servicer must include the following in its evaluation:



## 1. Management

The quality of the management of the Property is significant to maintaining or increasing net income and, therefore, to the success of the Property. Good management will keep the Property competitive and rented to the extent necessary to operate the Property at a profit when possible. Good management also enacts good maintenance and replacement policies that maintain the Property at adequate standards to maximize rents. Maintenance must be consistent with the Property's quality and financial ability to pay while maintaining maximum occupancy. The Borrower must recognize the difference between minimal maintenance and maintenance that may improve the net income of the Property on a continuing basis.

## 2. Borrower's creditworthiness

The Seller/Servicer must analyze each Borrower's and Key Borrower Principal's creditworthiness. The evaluation of the Borrower's and Key Borrower Principal's financial responsibility and credit history is a major consideration in the underwriting. Not only must there be strong evidence of ability to repay and/or guaranty the Mortgage, but also a history of making payments according to the terms of other financing.

## 3. Borrower's equity

The Seller/Servicer must carefully analyze the Borrower's and Key Borrower Principal's financial statements to determine the Borrower's and Key Borrower Principal's equity as it relates to real estate investments, mortgage debt and attendant mortgage demands on equity. If the Borrower's or Key Borrower Principal's holdings are encumbered so that the debt service on those holdings requires a high percentage of the rental income from those properties or if the holdings consist substantially of unimproved or underimproved properties having little or no gross income, the Seller/Servicer must exercise care to determine whether the Borrower and Key Borrower Principals can and will be able to meet all of the loan obligations of the Property.

### b. Key Borrower Principal guaranty and spousal information (04/13/23)

The evaluation of the Property and Borrower may result in Freddie Mac requiring one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due and the performance of certain obligations of the Borrower under the Mortgage. If more than one Key Borrower Principal provides such a guaranty, the Guarantors' liability may be joint and several.

If Freddie Mac requires one or more of the Key Borrower Principals to guaranty the payment of all or a portion of the amounts due under the Mortgage, such Key Borrower Principal must satisfy Freddie Mac's standards for creditworthiness. If it is determined that a Key Borrower Principal's financial strength does not meet Freddie Mac's standards for creditworthiness for the Mortgage, then Freddie Mac may require additional credit enhancement or an additional Guarantor.

In determining the financial strength of the Key Borrower Principal, the Seller/Servicer must not request information about the Key Borrower Principal's spouse or former spouse and must not require the Key Borrower Principal's spouse or former spouse to guaranty the Mortgage except for the following reasons:



- The Key Borrower Principal is relying on the spouse's income or assets as a basis for guarantying the Mortgage, or
- The spouse has a substantial interest in the Borrower and/or the Property.

### **10.3 Creditworthiness of a previous Borrower (04/13/23)**

Freddie Mac does not consider the creditworthiness of a previous Borrower in its underwriting process. If the Borrower purchased the Property subject to the Mortgage or assumed the Mortgage, Freddie Mac will consider only the current Borrower's and Key Borrower Principal's creditworthiness.

### **10.4 Underwriting analysis (11/30/12)**

High-quality underwriting is essential to protect Freddie Mac's interests in its purchase of Mortgages. This includes consideration of objective and subjective criteria in the review of the Borrower's qualifications and of the proposed Property. The information required in Sections 10.2 and 10.3 and under each program or product is essential for a meaningful underwriting.

Some of the foremost factors the Seller/Serviceicer must consider include the following:

1. Borrower's qualifications (see Section 10.2)
2. Property vacancy, market vacancy and/or collection loss
3. Rental concessions and rent levels
4. Tenant demand and housing supply
5. Property operating and maintenance expenses
6. Property physical condition
7. Debt Coverage Ratio
8. Loan-to-Value Ratio
9. The return on the Borrower's equity
10. Estimated long-term marketability of the Property

Freddie Mac will not purchase a Mortgage unless there is a positive return on the Borrower's equity before income tax considerations.

### **10.5 SPE Equity Owner (11/30/12)**

An SPE Equity Owner may not be the Guarantor.





## 10.6 Amortization/term (09/08/04)

All monthly payments on a Mortgage must be due on the first day of the month.

For an amortizing mortgage, the monthly payments on the Mortgage, including principal and interest, must be sufficient to fully amortize the Mortgage within a period of not more than 30 years. The term of the Mortgage may be the same as or shorter than the amortization period.

For purposes of calculating the original maturity of a fixed-rate or interest-only Mortgage, the commencement date of the Mortgage term is

- For newly originated fixed-rate or interest-only Mortgages, the date one month prior to the Due Date of the first amortization payment or full interest-only payment
- For fixed-rate or interest-only Mortgages that have been modified prior to delivery to Freddie Mac, the date one month prior to the Due Date of the first amortization payment or full interest-only payment on the modified Mortgage

For example, in both of the above cases, if the Due Date of the first amortization payment is April 1, 1986, the commencement of the Mortgage term is March 1, 1986.

## 10.7 Investment quality (04/13/23)

The Mortgage must have the characteristics of an “investment quality mortgage,” which is defined as a loan to a Borrower from whom timely repayment of the debt can be expected and that is secured by real property providing sufficient value to recover the lender’s investment if a default occurs. The characteristics of an “investment quality mortgage,” may include:

1. Strong market (which is demonstrated by low vacancy, minimal rental concessions, stable or increasing tenant demand, good balance of housing supply and demand, stable economic base, and employment diversification)
2. Strong property operations (which is shown by low vacancy, minimal rental concessions, stable or increasing rents, and stable or decreasing operating and maintenance expenses)
3. Excellent property condition
4. Strong Borrower and Key Borrower Principals (which is evidenced by a strong net worth, liquidity, credit history and experience)
5. Proven management ability of the Borrower, Key Borrower Principals or third-party property manager

## 10.8 Mortgage lien priority (11/30/12)

### a. Mortgages which are not supplemental Mortgages (11/30/12)

Each Mortgage must be a valid First Lien on the Property. The Property must be free and clear of all prior liens and encumbrances. No rights may be outstanding that could give rise to such liens, except for liens for real estate taxes and special assessments not yet due and payable and those that Freddie Mac has waived in writing.



Each Mortgage must also be a valid First Lien security interest in all fixtures, all of the Borrower's personal property that is located in or on the Property or is used or is intended to be used in connection with the Property and any other UCC collateral defined in the Security Instrument, whether owned at the time the Mortgage is made or acquired after that date. (See Section 29.4 for requirements related to Uniform Commercial Code searches.)

A security interest must be perfected on all personal property of the Borrower which is located in or on the Property or is used or intended to be used in connection with the Property, whether owned at the time the Mortgage is made or acquired after that date.

**b. Supplemental Mortgages (11/30/12)**

Each supplemental Mortgage originated pursuant to Chapter 20 must be a valid lien on the Property, with the applicable priority approved by Freddie Mac. Except as approved in writing by Freddie Mac

- The Property must be free and clear of all prior liens and encumbrances.
- No rights may be outstanding that could give rise to any prior liens, except for liens for real estate taxes and special assessments not yet due and payable.

Each supplemental Mortgage must also be a valid security interest in all fixtures, all of the Borrower's personal property that is located in or on the Property or is used or is intended to be used in connection with the Property and any other UCC collateral defined in the Security Instrument, whether owned at the time the Mortgage is made or acquired after that date. (See Section 29.4 for requirements related to Uniform Commercial Code searches.)

A security interest must be perfected on all personal property of the Borrower which is located in or on the Property or is used or intended to be used in connection with the Property, whether owned at the time the Mortgage is made or acquired after that date.

**10.9 Adverse circumstances -- Mortgage (09/08/04)**

There must be no circumstances or conditions of which the Seller is aware involving the Mortgage that adversely affect the value or marketability of the Mortgage.

**10.10 Originator and origination fees (09/28/18)**

The Seller is fully liable for all warranties and representations made to Freddie Mac regardless of who originated the Mortgage, including the warranties and representations regarding origination fees in Section 5.3(d).

**10.11 Mortgage not modified (11/30/12)**

The Mortgage must be a legal, valid and binding obligation of the Borrower, enforceable according to its terms and conditions, and free from any right of setoff, counterclaim or other claim or defense. No part of the Property may have been released from the Mortgage.

The terms of the Mortgage may not be modified, amended or in any way waived or changed, except as approved by Freddie Mac prior to the delivery of the Mortgage and as evidenced in a

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written modification agreement or other document that the Seller delivers to Freddie Mac with the Mortgage.

#### **10.12 Principal amount advanced; no mandatory future advances; outstanding balance (04/30/13)**

The Mortgage originator must have advanced the full principal amount of each Mortgage to the Borrower or according to the direction of the Borrower. The Borrower must not have an option under the Loan Documents to borrow additional funds secured by the Security Instrument from the Seller or the Servicer or any other person.

The outstanding principal balance of the Mortgage must be as represented by the Seller to Freddie Mac and must be fully secured by the Security Instrument.

#### **10.13 Compliance with laws (02/27/25)**

##### **a. General requirements (04/30/13)**

The Seller, as Mortgage originator, and the Mortgage must meet all requirements of all federal, State, and local laws, rules and regulations applicable to Mortgages and mortgage transactions, including truth in lending laws, licensing laws, doing-business laws and usury laws.

##### **b. Equal Credit Opportunity Act and Fair Credit Reporting Act compliance (02/27/25)**

If the Seller declines a Mortgage application, if the Mortgage application is incomplete, or if the Servicer declines a post-closing extension of credit (e.g., a Transfer of Ownership/Assumption; refer to the FAQs on [Adverse Action Notices](#) for the entire list), the Seller/Servicer, as Mortgage originator and/or Servicer, must comply with all applicable laws, rules and regulations, including the Equal Credit Opportunity Act and Fair Credit Reporting Act, as amended from time to time.

##### **1. Equal Credit Opportunity Act (ECOA)**

If an application is incomplete or declined, the Seller/Servicer must deliver written or oral notice to the Borrower on behalf of Freddie Mac within the applicable time frame stated in ECOA and in substantial conformity of the applicable model notices included in Appendix C of ECOA.

##### **2. Fair Credit Reporting Act (FCRA)**

In addition to the requirements above, if a Mortgage application is declined due to an adverse credit report of an individual Borrower Principal (i.e., the general partner in a partnership), the Seller/Servicer must comply with the FCRA, including the delivery of written notice solely to the individual Borrower Principal on behalf of Freddie Mac with the adverse credit report in accordance with Section 615 of FCRA, as amended from time to time.

The Seller/Servicer must maintain a record of all written notices that it sends out on behalf of Freddie Mac and must maintain copies in accordance with ECOA and FCRA, as applicable.



The Seller/Servicer must issue the Borrower an Adverse Action Notice within 30 calendar days if:

- Freddie Mac declines to purchase a new Mortgage loan or a post-closing extension of credit (e.g., a Transfer of Ownership/Assumption; refer to the [FAQs on Adverse Action Notices](#) for the entire list), and
- For loan originations, the Borrower does not accept the Seller's quote from another institution offering similar credit terms

Additionally, effective April 1, 2025, the Seller/Servicer must upload into DMS in the Adverse Action Notices folder within five Business Days following issuance of the Adverse Action Notice to the Borrower:

- A copy of a written Adverse Action Notice and evidence that the Seller/Servicer issued it to the Borrower (e.g., email, certified mail receipt, courier receipt, etc.); or
- A written statement detailing the date that the Seller/Servicer issued an oral Adverse Action Notice to the Borrower to inform them of the application denial, including a statement that all ECOA required information was conveyed to the Borrower; or
- For Mortgage loan originations, a written statement detailing that the Seller did not issue an Adverse Action Notice because the Borrower accepted a quote from another institution offering similar credit terms. The statement must detail the date the Seller/Servicer was informed that the Borrower accepted another quote.

#### **10.14 Mortgage not in default (09/08/04)**

All costs, fees and expenses incurred in making, closing and recording the Mortgage must have been paid. Within the three-month period before the Delivery Date, there must not have been outstanding any advance of funds by the Seller or any prior holder of the Mortgage, or by another at the request of the Seller or any prior holder of the Mortgage, to or on behalf of the Borrower to be used by the Borrower for the payment of any monthly installment, principal, interest or other charges payable under the terms of the Mortgage.

#### **10.15 Seller authorized to sell Mortgage; Purchase and Servicing Documents authorized (04/30/13)**

As of the Freddie Mac Funding Date, the Seller must

- Be the sole owner of the Mortgage
- Have full legal authority to sell, transfer and assign the Mortgage to Freddie Mac, and
- Have duly taken all required corporate action and obtained any consents required to sell, transfer and assign the Mortgage to Freddie Mac free and clear of all claims, security interests, participations or other encumbrances

The Seller must have duly authorized, executed and delivered the Purchase Contract, which must be valid, binding and enforceable according to its terms and conditions.



Compliance by the Seller with the terms and conditions of the Purchase and Servicing Documents must not conflict with, result in a breach of or default under, or be adversely affected by any of the following:

- Any terms and conditions of the charter or bylaws of the Seller
- Any agreement or instrument to which the Seller is a party
- Any judgment, order or regulation to which the Seller is subject

The Seller must be a Seller/Servicer in good standing on the date of the Seller's offer, on the Delivery Date and on the Freddie Mac Funding Date.

### **10.16 Characterization and nature of SBL Mortgages (06/30/16)**

For SBL Mortgages:

1. The Seller and Freddie Mac agree that with respect to every SBL Mortgage purchase and sale transaction entered into under the Purchase and Servicing Documents, the Seller and Freddie Mac intend the transaction
  - To be construed as the Seller's sale, transfer, conveyance and delivery of each SBL Mortgage to Freddie Mac
  - To be construed as Freddie Mac's purchase and receipt of such SBL Mortgage
  - Not to be construed as the Seller's pledge to secure a debt or any other obligation
2. The Seller and Freddie Mac intend for the sale, transfer, conveyance and delivery of all SBL Mortgages to Freddie Mac by the Seller to be true, absolute and unconditional sales.

If despite the intent of the Seller and Freddie Mac, the SBL Mortgages (or any of them) are determined to be the property of the Seller (i.e., the sale was not a true sale), Freddie Mac and the Seller agree that

- The Purchase and Servicing Documents create a security agreement within the meaning of the Uniform Commercial Code (UCC) in effect in the applicable State, conveying to Freddie Mac a security interest in all of the Seller's right, title, and interest in and to the Mortgage and all proceeds from the Mortgage
- Freddie Mac is the secured party under such security agreement
- The possession by Freddie Mac of the Notes (and any related documents) will be deemed to be possession by Freddie Mac for purposes of perfecting the security interest pursuant to the UCC
- The Seller will assist Freddie Mac with any reasonable actions necessary to ensure that Freddie Mac receives a perfected security interest of first priority under applicable law



- Freddie Mac will have all of the rights and remedies of a secured party and creditor under the UCC and may execute and file UCC financing statements as reasonably necessary

### **10.17 Purchase amount (09/08/04)**

Generally, the amount paid by Freddie Mac to purchase a multifamily Mortgage will not exceed 100 percent of the outstanding principal balance of the Mortgage, adjusted for prepaid or accrued interest as of the day before the Freddie Mac Funding Date.

### **10.18 Permitted Mortgage amount - Acquisition financing and certain refinances (10/17/24)**

The Mortgage amount must be based on the lesser of the appraised value or the total acquisition cost. This section applies not only to acquisition transactions, but also to refinance loans in which the Property was acquired within the 12 months prior to Mortgage origination when required by the Letter of Commitment for the Mortgage. A description of the appraised value is found in Chapter 60. (See also Section 32.3 for settlement statement content regarding closing costs.)

#### **a. Total acquisition costs (10/19/23)**

The total acquisition cost is defined as the sum of: (1) the purchase price and (2) permitted closing costs paid to third parties in an amount no more than three percent of the purchase price. (*Note:* See also Section 10.18(c) for additional adjustments if an allocation to intangible assets is contemplated.)

#### **b. Permitted closing costs (10/19/23)**

Permitted closing costs must be documented and may include:

- Mortgage origination fees payable in connection with the new Mortgage (including Seller/Servicer fees incurred by the Borrower in connection with the origination of the loan and Freddie Mac's application fee) if not included in the interest rate (*Note:* See also Sections 5.3(d) and 17.1(f) origination fee requirements)
- Broker fees or acquisition fees paid by the Borrower, subject to a sublimit of one percent
- Prepayment fees on the existing indebtedness if paid by the Borrower
- For adjustable rate mortgages, the actual cost of the initial interest rate cap
- Other reasonable closing or settlement costs paid by the Borrower, such as mortgage registration taxes, recordation fees, survey, title searches and title insurance premiums, attorney's fees, and credit report charges
- Fees to consultants for the preparation of third-party reports including Appraisals, environmental reports, and property condition reports
- Costs associated with the Borrower's voluntary capital improvements for the Property and/or Priority Repairs identified in the property condition report or SBL Physical Risk Report, so long as the following three requirements are met:





- The total cost of the voluntary capital improvements and/or Priority Repairs is escrowed at Mortgage origination
- The voluntary capital improvements and Priority Repairs will be completed within 12 months of Mortgage origination
- The Loan Agreement must require that if there are remaining funds after satisfactory completion of the voluntary capital improvements and Priority Repairs, such funds must be deposited into the Replacement Reserve Fund
- In a Green Up or Green Up Plus Mortgage, costs associated with Green Improvements, so long as the following three requirements are met:
  - The total cost of the Green Improvements is escrowed at Mortgage origination
  - The Green Improvements will be completed within 24 months of Mortgage origination
  - The Loan Agreement must require that if there are remaining funds after satisfactory completion of the Green Improvements, such funds must be deposited into the Replacement Reserve Fund

**c. Allocation to intangible assets (10/17/24)**

With the exception of Seniors Housing Mortgages, if there is any allocation to intangible assets (including goodwill) in connection with the acquisition of the Property, such allocation may be permitted subject to the following:

- The final Mortgage amount, as reflected on the final settlement statement, cannot exceed 90% of the real property allocation (*i.e.*, total purchase price less any intangible asset allocation (including goodwill)). For purposes of this calculation, if any amount of the purchase price is allocated to personal property, such amount will be considered part of the real property allocation.
- If the transaction includes an allocation to goodwill, the total acquisition cost is defined as the sum of: (1) the purchase price excluding goodwill and (2) permitted closing costs paid to third parties in an amount no more than three percent of the purchase price excluding goodwill.



# Multifamily Seller/Servicer Guide

## Chapter 11

### Miscellaneous Fundamentals



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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.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal))
  7. Except for a letter of credit issued in connection with a Seller/Service's SBL Obligations under Chapter 46SBL, be in the form found at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal)

**e. Seller/Service responsibilities regarding letters of credit (08/18/22)**

Within 30 days prior to the issuance of a new letter of credit, including a renewal, replacement, or amendment of an existing letter of credit, the Seller/Service must:

1. For a letter of credit that the Seller/Service is holding, verify that the issuer of the letter of credit is listed on the [Multifamily Counterparty Approved List](#).
2. For a letter of credit that Freddie Mac holds, verify that the rating of the issuer complies with Freddie Mac's requirements.
3. Bring to Freddie Mac's attention any variations from the Freddie Mac form of letter of credit and explain whether such variations are material.
4. Complete the [Letter of Credit Certification](#) form or [Form 921, Letter of Credit – SBL Certification](#), as applicable.
5. Obtain an opinion of the issuer's counsel with respect to the issuer of the letter of credit, which opinion must provide that:
  - The issuer has the power and authority to execute and deliver the letter of credit.
  - The letter of credit constitutes the legal, valid and binding obligation of the issuer, enforceable by the lender (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations) against the issuer in accordance with the terms of the letter of credit.
  - The opinion is intended to be relied upon by the lender and its successors as holder of the Mortgage (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations).
6. Upon issuance of a new letter of credit, including a renewal, replacement or amendment of an existing letter of credit, the Seller/Service must:



- For a letter of credit that the Seller/Servicer is holding, hold the original letter of credit in a secure place in trust for Freddie Mac until instructed by Freddie Mac to deliver the letter of credit to Freddie Mac or return the letter of credit to the Borrower
  - In the case of a letter of credit provided in connection with a Mortgage, maintain a copy of the Letter of Credit Certification as part of the Mortgage File
  - In the case of a letter of credit provided as collateral for a Seller/Servicer's Reimbursement Obligations or a Construction Phase Letter of Credit required under Section 19A.7 or Section 28A.10, deliver such letter of credit and Letter of Credit Certification to Freddie Mac as required under the Seller/Servicer's Master Agreement or the Forward Commitment, as applicable
  - In the case of a Letter of Credit – SBL provided as collateral for an SBL Seller/Servicer's SBL Obligations, deliver such letter of credit and the [Form 921, Letter of Credit – SBL Certification](#) to Freddie Mac as required under Chapter 46SBL
7. Upon issuance of a renewal, replacement or amendment of an existing letter of credit held by the Seller/Servicer, the Seller/Servicer must provide the following information to Freddie Mac within 30 days of issuance:
- Complete legal name of the issuer of the letter of credit
  - Letter of credit number
  - Amount
  - Expiration date
  - Issuer bank branch address and presentation site address

The information in this subsection must be delivered to *Multifamily Asset Management, Structured Transactions* for:

- Structured Transactions
- Tax Exempt Bond Credit Enhancements
- Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products
- Targeted Affordable Housing Mortgages, or
- Credit Facilities

For all other Mortgages, the information in this subsection must be delivered to *Multifamily Asset Management, Borrower Transactions*.



**f. Documents to be delivered to Freddie Mac (06/29/17)**

- Any time the Seller/Service is holding the original letter of credit, the Seller/Service 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/Service 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/Service must notify *Multifamily TAH Production*
- The SBL Seller/Service must notify the *Multifamily Small Balance Loan Team*
- All other Seller/Services 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 Service 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/Service's SBL Obligations: If Freddie Mac withdraws its approval of an issuer of a letter of credit, the SBL Seller/Service must obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

**h. Delivery of letter of credit to Freddie Mac (06/29/17)**

The Seller must deliver the original letter of credit, the original opinion of issuer's counsel and the Letter of Credit Certification or the [Form 921, Letter of Credit – SBL Certification](#), as applicable, as specified below:

- For Mortgages or SBL Mortgages, with the Final Delivery Package





- For any other matter, as specified by Freddie Mac in the applicable agreement or Chapter 46SBL

**i. Presentation of letter of credit (10/07/08)**

Upon receipt of written instructions from Freddie Mac, the Seller/Servicer is authorized to present a sight draft to the issuer of a letter of credit and draw on the letter of credit.

The Seller/Servicer must hold the funds it obtains from a letter of credit in trust for Freddie Mac in an account in the name of the Seller/Servicer as custodian for Freddie Mac until it receives instructions from Freddie Mac as to where it should deposit the funds.

**j. Notification to Freddie Mac of letter of credit expiration (02/27/15)**

The Seller/Servicer must provide Freddie Mac with written notice of the expiration of any letter of credit not less than 30 days prior to the expiration of the letter of credit.

**k. Indemnification (10/07/08)**

The Seller must indemnify and defend Freddie Mac against any claims that may be asserted against Freddie Mac and any costs (including attorneys' fees), losses or damages that Freddie Mac may incur as a result of any failure by the Seller/Servicer to perform its obligations with regard to any letter of credit.

### **11.3 Third-party interest rate cap requirements for cash ARMs (02/29/16)**

For any cash ARM where Freddie Mac has required an interest rate cap and the ARM does not have an internal interest rate cap, Freddie Mac requires that the Borrower obtain an interest rate cap agreement with a third party cap provider ("cap agreement"). The Borrower must maintain a cap agreement until the entire indebtedness is paid in full.

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages.

**a. Cap provider (12/12/14)**

At the time of acquisition of the cap, and based on the term of the cap, the cap provider must be listed on the [Approved Counterparties List](#). If the cap provider is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed [Counterparty Approval Request](#).

Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following cap providers are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower.

Freddie Mac may withdraw approval of the cap provider at any time for any reason.



The cap provider must maintain the rating required by Freddie Mac in the governing transaction documents (for example the cap agreement) throughout the term of the cap.

**b. Cap agreement (04/07/06)**

Freddie Mac will accept a cap agreement only in the form agreed upon by Freddie Mac and the approved cap provider. The Seller/Servicer must notify the *Applicable Freddie Mac Multifamily Regional Office* of the name of the cap provider and must request that Freddie Mac provide the Seller/Servicer with the agreed form of cap agreement for that cap provider.

**c. Cap guaranty; opinion (04/07/06)**

Freddie Mac will notify the Seller/Servicer whether a cap agreement guaranty and/or opinion of counsel are required. If a cap agreement guaranty and/or an opinion of counsel are required, Freddie Mac will provide the Seller/Servicer with the forms of such document(s).

**d. Delivery of cap agreement (02/29/16)**

The Borrower must deliver an electronic copy of the cap agreement to the Seller/Servicer. For a newly originated Mortgage, the Borrower must bid the cap agreement not later than the Origination Date. The Seller must deliver an electronic copy of the cap agreement in the Final Delivery Package.

**e. Payments under the cap agreement (04/07/06)**

- So long as there is not an event of default and the Borrower has made the full monthly payment due, the Servicer will remit any payments made by the cap provider to the Borrower.
- Following an event of default, Freddie Mac may apply any payments made under the cap agreement to the Mortgage in any order and amount that Freddie Mac determines.

**f. Reserve for subsequent cap agreement (07/01/14)**

If a cap agreement expires prior to the maturity date of the Mortgage, during the term of the cap agreement, the Borrower must make monthly deposits with the Servicer on the first day of each calendar month ("cap deposits"). The cap deposits must be sufficient to accumulate funds in an amount equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to the termination of the then-existing cap agreement, a subsequent third-party cap agreement (see Section 43.22).

**g. Expiration of cap agreement (04/07/06)**

- Any time a cap agreement expires, a new cap agreement has not been put into effect and an event of default has occurred, Freddie Mac, at its option, may apply any payment made by the Borrower under the Note to the purchase of a cap agreement.
- Any time a cap agreement expires and a new cap agreement has not been put into effect, Freddie Mac, at its option, may apply the default interest rate contained in the Note.



#### **h. Servicing a cap agreement (02/07/08)**

See Sections 43.21 and 43.22 for the Servicing requirements for a cap agreement.

### **11.4 Reliance on third-party reports (09/18/14)**

This Guide contains specific reliance provisions for various types of third-party reports. If not otherwise specified in this Guide, each third-party report must include the following provision:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
  - any initial purchaser or subsequent holder of such debt and/or securities;
  - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
  - any indenture trustee;
  - any rating agency; and
  - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”



## 11.5 Insurance requirements for third-party consultants (10/12/17)

Freddie Mac requires the following third party consultants to have the insurance coverage described below:

- Appraisers
- A/E Consultants performing the duties outlined in Chapter 63
- Property condition or Physical Risk consultants
- Environmental consultants
- Property inspectors conducting:
  - Forward Commitment property inspections as described in Section 8.16(b)
  - Property inspections at time of conversion as described in Section 8.16(d)
- Green consultants

These third party consultants must have the following insurance coverage in place:

- Commercial General Liability (CGL) insurance with limits of at least \$1 million per occurrence and \$2 million aggregate with a maximum deductible amount of \$35,000
- Professional Liability insurance with limits of \$1 million per claim and \$2 million aggregate with a maximum deductible amount of \$100,000

The above policies must be issued by an insurance carrier rated either Standard & Poor's Insurer Solvency Review "BBB" or better, or AM Best A-, VI, or higher (i.e., A-, X; A, VI, etc.).

The requirements above do not apply to third-party fee consultants performing annual property inspections.

Third party consultants should have appropriate insurance coverage in place while traveling to and from and conducting work at the Property. The following are recommended guidelines for the types and levels of insurance coverage to be considered:

- Worker's Compensation insurance as required by law
- Automobile liability insurance for all owned (if any), non-owned and hired vehicles of \$1 million per accident

The Seller/Service provider should review the insurance coverage held by third-party consultants and determine and document that the consultants have adequate insurance relevant to the work to be performed.



## 11.6 Real Estate Schedule – Form 1116 verification (02/27/25)

### a. Verification applicability (02/27/25)

The requirements in this section apply to each [Form 1116, Real Estate Schedule](#), delivered to Freddie Mac for the following parties:

- For all Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a First-Time Sponsor,
- For all Mortgages, effective for transactions taken under Seller Application on and after February 27, 2025, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a Rapid Growth Sponsor
- For all Mortgages other than SBL Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of a Limited Multifamily Experience Sponsor as referenced in Section 9.2(d), and
- For SBL Mortgages, each Key Borrower Principal with Ultimate Control and each Guarantor not meeting the requirements of Section 9SBL.2(c)(2).

This verification is not applicable to U.S. Public Companies or Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors.

### b. Verification sample (02/27/25)

As additional verification measures for the [Form 1116, Real Estate Schedule](#), submitted for the parties listed in Section 11.6(a), the Seller/Servicer must select a sample of assets to confirm that the schedule accurately reflects each such party's ownership role (e.g., general partner, limited partner, managing member, member, etc.) of each asset based on the following criteria:

- (i) If [Form 1116, Real Estate Schedule](#), reflects 10 assets or less (5 assets or less for SBL Mortgages), ownership in all properties must be verified (other than a personal residence).
- (ii) If [Form 1116, Real Estate Schedule](#), reflects more than 10 assets (more than 5 assets for SBL Mortgages), a sample of 10 assets (5 assets for SBL Mortgages) may be selected provided that the sample reflects multifamily properties in which the Key Borrower Principal has Control (e.g., general partner or managing member interest), if applicable. The sample can include multifamily properties with a non-controlling interest or other asset types once all multifamily properties in which the Key Borrower Principal has Control have been selected for inclusion. Additionally, if a majority of the Key Borrower Principal's [Form 1116, Real Estate Schedule](#) reflects non-multifamily assets, then the verification should be expanded to include a representative sample of these assets as well.

**c. Verification requirements (02/27/25)**

Upon the delivery to Freddie Mac of each [Form 1116, Real Estate Schedule](#), for the parties listed in Section 11.6(a), the Seller/Servicer is certifying to Freddie Mac that each such party's ownership role of each asset listed has been verified for the sample noted in Section 11.6(b) by the Seller/Servicer's review of the documentation described in (1), (2) or (3) below:

1. Documentation either independently obtained or received from the party completing the [Form 1116, Real Estate Schedule](#), consisting of both of the following:
  - Evidence of the owner name of each asset provided by the party completing [Form 1116, Real Estate Schedule](#), (such as a tax bill, title policy, property deed or other commercially reasonable evidence)
  - Organizational documents, provided by the party completing [Form 1116, Real Estate Schedule](#), for the owner(s) of each asset evidencing the Key Borrower Principal or Guarantor ownership role (redacted copies are acceptable so long as the ownership role can be verified)
2. Federal tax return (Schedule K-1) for the parties listed in Section 11.6(a) confirming each party's ownership role in applicable assets identified on the [Form 1116, Real Estate Schedule](#) (redaction of non-relevant information permitted).
3. Other reasonable documentation approved by Freddie Mac (e.g., website listing real estate assets for an SEC-registered entity or lender certification confirming Key Borrower Principal ownership role for those assets in which the lender was involved in the prior financing).

The Seller/Servicer must contact Freddie Mac Underwriting if the Seller/Servicer is unable to verify the ownership information for the sample or if any discrepancies are found. The Seller/Servicer may not make any adjustments to the sample as a result of insufficient information or discrepancies.

If Freddie Mac agrees to accept alternative documentation for [Form 1116, Real Estate Schedule](#), which documentation must be approved in advance by Freddie Mac, the above verification requirements apply to such documentation.

**d. Retention of Records (04/18/24)**

The Seller/Servicer must retain electronic or hard copy records evidencing the Seller's compliance with the verification requirements in this section.



## **11.7 Historical property financial statement reconciliation for refinances of Freddie Mac Mortgages and Supplemental Mortgages (08/15/24)**

### **a. Reconciliation applicability (08/15/24)**

The requirements in this section apply to Mortgages taken under Seller Application on or after August 15, 2024, that are (i) refinances of Freddie Mac Mortgages where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage and (ii) Supplemental Mortgages where the Seller both originated the senior Mortgage and is the current Servicer of the senior Mortgage.

With respect to acquisition Mortgages, nothing herein shall restrict or limit Freddie Mac or Seller/Servicer from performing a reconciliation of property financial statements available to Freddie Mac or Seller/Servicer, similar to the reconciliation described in Section 11.7(b). In connection with any such reconciliation related to an acquisition Mortgage, Seller/Servicer must comply with all reporting requirements, including but not limited to those in Section 7.2, with respect to any Suspicious Activity and actual or possible fraud or misrepresentation in connection with such reconciliation.

### **b. Reconciliation requirements (08/15/24)**

Prior to the delivery to Freddie Mac of the underwriting package, Seller/Servicer must reconcile each historical property financial statement (including the most current property financial statement in a T-12 format) required by Sections 55.2 and 55SBL.2 against the property financial statements received for the same periods during the Servicing of the existing or senior Mortgage, as applicable (for the purposes of this Section 11.7, “Servicing Statements”).

For historical property financial statements covering an annual period, this reconciliation must include a review against each applicable full-year Servicing Statement, when available. For historical property financial statements covering the most recent annual or twelve-month period, due to timing differences, this reconciliation only applies to those months in most recent Servicing Statement (provided in a T-12 format) that overlap the months reflected in such statements.

By delivering the underwriting package to Freddie Mac, the Seller/Servicer is certifying that the reconciliation required by this section has been performed and either (i) there are no deviations identified or (ii) any deviations have been clearly disclosed to Freddie Mac in the mortgage transaction narrative analysis.

### **c. Submission of Servicing Statements (08/15/24)**

If the Servicing Statements are not found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer must submit the Servicing Statements used to perform the reconciliation required in Section 11.7(b) as part of the underwriting package.

If the Servicing Statements used to perform the reconciliation required in Section 11.7(b) are already found on DMS for the existing or senior Mortgage, as applicable, the Seller/Servicer is





not required to separately submit the Servicing Statements to Freddie Mac as part of the reconciliation requirements of this Section 11.7.

**d. Identification of possible misrepresentation (08/15/24)**

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)**

The Seller/Servicer must retain records evidencing the Seller's compliance with the reconciliation requirements in this section.

**11.8 Impact of a natural disaster or weather-related adverse condition (12/12/24)**

**a. Applicability (12/12/24)**

Upon Freddie Mac's notification to Seller/Servicers, this section is applicable to Mortgage loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property. (See also Section 5.2(b) for Seller/Servicer representations and warranties regarding the Property and Section 27.4(a) for Nondelivery in the event of a material adverse change in Property condition).

Freddie Mac may provide notification to Seller/Servicers regarding the applicability of this section with respect to a particular natural disaster or weather-related adverse condition, but in the absence of a notification, Seller/Servicers remain obligated to comply with the provisions of this Section 11.8, to the extent applicable to their Mortgage loans.

**b. Types and Status of Mortgage Loans (12/12/24)**

1. For Conventional, Seniors, Targeted Affordable Housing (TAH) and Structured & Facility Mortgages in the quote stage, and for Small Balance Loans (SBL) under Seller Application that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property:
  - If the property condition consultant's physical inspection of the Property is taking place after the occurrence of the natural disaster or weather-related adverse condition, nothing further required.
  - If the property condition consultant's inspection has taken place prior to the occurrence of the natural disaster or weather-related adverse condition:
    - The Seller/Servicer must deliver the [Borrower Certification of Weather-Related Event](#) as part of the full underwriting package and must specifically address any impact to the Property sustained from the natural disaster or weather-related adverse condition.



- Freddie Mac, in its sole discretion, may require additional information or further inspections of the Property.
2. For Mortgage loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property (i) for which an underwriting package has been delivered to Freddie Mac, (ii) that are awaiting Index Lock, (iii) where a Letter of Commitment (or Early Rate Lock Application) has been accepted, or (iv) are in process at any point thereafter prior to Freddie Mac's purchase of the Mortgage, the following items must be submitted to Freddie Mac either as part of the full underwriting package or via a separate email communication:
- [Borrower Certification of Weather-Related Event](#) specifically addressing any impact to the Property sustained from the natural disaster or weather-related adverse condition.
  - Written confirmation that the Property has sufficient property damage (All-Risk) coverage, Business Income/Rental Value Insurance coverage, or any other applicable coverage (i.e., Windstorm, Named Storm, Flood, etc.).
  - If an acquisition Mortgage, in addition to the above items, written confirmation that there has been no change to the Purchase and Sale Agreement, or if there has been a change, receipt of the revised Purchase and Sale Agreement and updated Purchase and Sale Agreement Analysis including an explanation of the change.
3. For any loans that are in process at the time of a natural disaster or weather-related adverse condition (flood, hurricane, tornado, etc.) that has the potential to impact the condition of the Property that Freddie Mac has committed to purchase (via a fully executed Letter of Commitment or an accepted Early Rate-Lock Application) but has not yet purchased, in addition to submission of the items set forth in subsection b.2. above, Seller/Serviceicers must report any impacted Properties to the [Surveillance – Compliance Team](#), including any damage updates for such Properties when available.
- For any such Mortgages delivered to Freddie Mac for purchase, Seller/Serviceicers must also coordinate with the *Multifamily Purchase team*; Mortgage loan funding may be delayed pending a damage assessment.

# Reserved

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Chapters 12-16SBL

# Multifamily Seller/Servicer Guide

Chapters 12-16SBL

Reserved



**Reserved for future use.**

# Originating Cash and Bond Credit Enhancement Mortgages

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Chapters 17-28A

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# Multifamily Seller/Service Guide

## Chapter 17

### Originating a Mortgage under the Multifamily Conventional Cash Mortgage Purchase Program



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#### 17.4 [Moderate Rehabilitation \(Mod Rehab Mortgages\) \(04/15/21\)](#)

#### 17.5 [Underwriting package requirements and review period \(04/15/21\)](#)

#### 17.6 [Workforce Housing Preservation \(10/19/23\)](#)



## 17.1 Overview (04/15/21)

### a. Program and related products (04/15/21)

This chapter provides an in-depth discussion of the underwriting requirements for originating a Mortgage under the Multifamily Conventional Cash Mortgage Purchase Program.

Certain products may have additional or different requirements as specified in the following chapters:

- Moderate Rehabilitation (Mod Rehab) Mortgages – Section 17.4(a)
- Small Balance Loan (SBL) Mortgages – Chapter 18SBL
- Targeted Affordable Housing (TAH) Cash Mortgages – Chapter 19
- Forward Commitment TAH Cash Mortgages – Chapter 19A
- Supplemental Mortgages – Chapter 20
- Seniors Housing Mortgages – Chapter 21
- Manufactured Housing Community (MHC) Mortgages – Chapter 22
- Green Advantage – Chapter 24
- Tax-Exempt Loans – Chapter 25
- Forward Commitment Tax-Exempt Loans – Chapter 25A
- TAH Bond Credit Enhancement Mortgages – Chapter 28
- Forward Commitment TAH Bond Credit Enhancement Mortgages – Chapter 28A

With respect to the origination of cash Mortgages with certain affordability components, Conventional Seller/Serviceirs 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 Seller/Serviceirs should contact their Freddie Mac representative for additional information. For a chart outlining Conventional Seller/Serviceir and TAH Seller/Serviceir





eligibility for originating and selling Mortgages with certain affordability components, see [Exhibit 2, Origination Guidelines for Targeted Affordable Housing Mortgages](#).

**b. Investment quality (04/30/13)**

Each Mortgage to be delivered to Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program must have characteristics that demonstrate investment quality (see Section 10.7).

**c. Types of Mortgages (04/15/21)**

Under the Multifamily Conventional Cash Mortgage Purchase Program, Freddie Mac may purchase any or all of the following types of Mortgages:

- Fixed-rate Mortgages (see Section 17.2) in which the interest rate is unchanged for the entire Mortgage term. Fixed-rate Mortgages may be amortizing or interest-only.
- Floating-Rate Mortgages in which the interest rate is adjusted for the entire Mortgage term. A Floating-Rate Mortgage may be amortizing or interest-only.
- Fixed to floating rate Mortgages in which the interest rate is fixed for a set term and is adjustable during an extension term of one year at the end of the term of the Mortgage
- Other types of Mortgages as announced by Freddie Mac from time to time

**d. Securitization of Mortgages (03/03/14)**

Freddie Mac intends to securitize certain Mortgages by selling them in the capital markets. At the time of a Securitization of a Mortgage, Freddie Mac will cease to own the applicable Mortgage and Servicing of the applicable Mortgage will be terminated upon such Securitization and transferred to a master servicer without compensation to the Freddie Mac Servicer. The Freddie Mac Servicer must assist in the transfer of Servicing to the master servicer by timely delivering to the master servicer all materials required by Section 42.7.

The Seller/Servicer agrees that if Freddie Mac decides to securitize or sell the Mortgage, the Seller/Servicer will: (a) permit Freddie Mac or its representatives to provide related information to the Rating Agencies and/or investors, and (b) cooperate with the reasonable requests of the Rating Agencies and/or investors in connection with a Securitization of the Mortgage.

**e. Delivery Rate Lock options (04/15/21)**

Freddie Mac offers both a standard delivery option under Chapter 27 and an early rate-lock delivery option under Chapter 27.

**f. Minimum Origination Fee (06/25/20)**

A Seller must charge a Minimum Origination Fee in connection with the origination and sale of a Mortgage to Freddie Mac as follows:



Program/Product	Minimum Origination Fee
Non-SBL Mortgages < \$7.5M	1.00% of the UPB
Non-SBL Mortgages ≥ \$7.5M and < \$20M	Greater of 0.75% of the UPB or \$75,000
Non-SBL Mortgages ≥ \$20M and < \$50M	Greater of 0.50% of the UPB or \$150,000
Non-SBL Mortgages ≥ \$50M	Greater of 0.25% of the UPB or \$250,000

The Seller may satisfy the requirement for a Minimum Origination Fee with any combination of an origination fee and a premium buy-up. Buy-ups collected at no cost to the Borrower due to qualified loan characteristics cannot be included to meet the required Minimum Origination Fee. The Minimum Origination Fee must be collected by the Seller and cannot be used to reimburse closing costs.

**g. Other requirements (04/15/21)**

All Mortgages submitted for purchase under the Multifamily Conventional Cash Mortgage Purchase Program must comply with the requirements of Chapters 8, 9, 10, 27 and 32 as well as with the requirements of this chapter.

**17.2 Fixed-rate Mortgage requirements (04/13/23)**

A fixed-rate Mortgage submitted under the Multifamily Conventional Cash Mortgage Purchase Program must meet the requirements listed in this section. A fixed-rate Mortgage may be amortizing or may have an interest-only feature. For interest-only Mortgages, all other requirements of an amortizing Mortgage will apply unless specifically noted in this section.

**a. Document delivery (04/15/21)**

The underwriting checklists, the Final Delivery Tables of Contents and the Final Delivery Instructions, at <https://mf.freddiemac.com/lenders/purchase/>, set forth all documents required to be delivered to Freddie Mac under this program. The Seller must make timely deliveries in accordance with the requirements of this chapter and Chapter 32.

**b. Eligible Mortgages, including Value-Add Mortgages and Moderate Rehabilitation Mortgages (05/05/17)**

Mortgages for the purpose of the refinancing or acquisition of the Property are eligible for purchase.

Freddie Mac will consider purchasing Value-Add Mortgages where the Borrower expects to add value through renovations shortly after loan closing. For additional information, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

Freddie Mac may also consider purchasing Moderate Rehabilitation Mortgages, where the Borrower will be making renovations to the Property beyond the Value-Add levels and needs the ability to draw funds as the renovations are completed rather than having the entire loan funded on the Origination Date, subject to additional conditions. For additional information,



contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

For Mortgages secured by MHC Properties, the requirements of Section 22.3(a) apply rather than the requirements of this Section 17.2(b).

**c. Term (06/29/17)**

The term of the Mortgage may be from five to 30 years.

**d. Amortization (05/11/10)**

For amortizing Mortgages, the standard amortization period is 30 years.

The minimum amortization period for amortizing Mortgages is 15 years.

Notwithstanding the above, Freddie Mac, in its discretion, will determine the amortization period of the Mortgage.

**e. Interest-only (05/11/10)**

Interest-only debt service payments are available for up to ten years. Combinations of interest-only and principal and interest periods are available.

**f. Prepayment provisions (04/15/21)**

1. Prepayment provisions for a Mortgage with a Note that provides for defeasance that is not made a part of a Securitization prior to the Cut-Off Date (defined in the Note) are below:
  - The Borrower may prepay the Mortgage on any scheduled payment date, subject to compliance with all prepayment terms set forth in the Note, including payment of the applicable prepayment premium. The Borrower may not make any partial prepayments except as set forth in the Loan Documents.
  - The 2-year lockout period and Defeasance Period will not apply and the Mortgage will be subject to the Yield Maintenance Period as set forth in the Note.
  - No prepayment premium is due during the Window Period as defined in the Note (usually the last 3 months of the term of the Mortgage).
2. Prepayment provisions for a Mortgage with a Note that provides for defeasance that is made part of a Securitization prior to the Cut-Off Date are below:
  - If a Mortgage has a term of five or more years and is made a part of a Securitization prior to the Cut-Off Date, there is a 2-year lockout period during which prepayment will not be permitted, followed by a Defeasance Period, as defined in the Loan Documents. The Borrower may only defease the Mortgage in accordance with the requirements set forth in the Loan Documents. The Borrower may not make any partial prepayment during the Defeasance Period, except as set forth in the Loan



Documents.

- After the expiration of the Defeasance Period, no prepayment premium is due during the Window Period as defined in the Note (usually the last 3 months of the term of the Mortgage).
3. Prepayment provisions for a Mortgage with a Note that provides for yield maintenance only are below:
- The Borrower may prepay the Mortgage in full on any scheduled payment date, subject to compliance with all prepayment terms set forth in the Note, including payment of the applicable prepayment premium. The Borrower may not make any partial prepayments except as set forth in the Loan Documents.
  - No prepayment premium is due during the Window Period as defined in the Note (usually the last 3 months of the term of the Mortgage).

**g. Yield Maintenance Prepayment Premium (02/29/12)**

The standard Yield Maintenance Period will be as follows:

Term of Mortgage	Yield Maintenance Period
5 years	4¾ years
7 years	6½ years
10 years	9½ years
15 years	14½ years
20 years	15 years
25 years	15 years
30 years	15 years

The minimum prepayment premium due during the Yield Maintenance Period is one percent of the amount prepaid.

After the expiration of the Yield Maintenance Period, with any prepayment, the Borrower must pay a prepayment premium of one percent of the amount prepaid, with the exception of Mortgages with a five-year term for which there is not a one percent prepayment premium period at the expiration of the Yield Maintenance Period. No prepayment premium is due during the Window Period as defined in the Note (usually the last three months of the term of the Mortgage).

**h. Reserved**

**i. Reserved**



**j. Sales or transfers of Property or beneficial interests in the Borrower (09/08/04)**

The Mortgage will permit Transfer of Ownership to a qualified purchaser on terms approved by Freddie Mac, in accordance with the terms of the Mortgage.

**k. Vacancy/collection loss (09/08/04)**

The vacancy and collection loss rate used in underwriting may not be less than 5 percent and must be adjusted upward if property and/or market conditions require.

**l. Borrower recourse/third-party guaranties (04/13/23)**

Freddie Mac typically will not require Borrower recourse, except upon the occurrence of certain events specified in the Note executed by the Borrower. However, Freddie Mac, in its discretion, may require additional Borrower recourse.

See Section 10.2(b) in the event Freddie Mac requires one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due under the Mortgage.

**m. Servicing Spread (09/28/16)**

The Servicing Spread will be as follows:

Servicing Spread		
Original Principal Balance between		Servicing Spread in basis points
\$0	\$2,000,000	20
\$2,000,001	\$5,000,000	16
\$5,000,001	\$10,000,000	14
\$10,000,001	\$15,000,000	12
\$15,000,001	\$20,000,000	11
\$20,000,001	\$25,000,000	10
\$25,000,001	\$30,000,000	9
\$30,000,001	\$50,000,000	8
\$50,000,001 and above		7

**n. Reserves (10/31/12)**

Pursuant to Section 39.2, the Seller must establish Reserves for taxes, water and sewer charges, ground rents and other charges and assessments, if applicable, and insurance meeting the requirements of the Purchase and Servicing Documents. If required by Freddie Mac, the Seller must establish a Replacement Reserve and/or a Repair Reserve, in accordance with Section 39.3.



**o. Co-op requirements (09/08/04)**

Freddie Mac may adjust the program requirements in this section on a case-by-case basis for Mortgages secured by properties owned by cooperative housing corporations.

**p. Financing of origination fees (09/08/04)**

It is Freddie Mac's policy not to purchase Mortgages that finance payment of loan origination fees or comparable fees to the Seller in excess of reasonable amounts. The proceeds of the Mortgage may be used to pay loan origination fees or comparable fees to the Seller only to the extent that such fees are reasonable and in accordance with general industry standards.

**q. Late charges and default interest (04/30/13)**

The fixed-rate Note must provide that if an installment of principal (if applicable) and interest is received more than 10 days after its Due Date, a late charge will accrue equal to 5 percent of the amount of that installment. If applicable law prohibits imposition of a late charge until an installment is more than 10 days past due or provides for a maximum late charge of less than 5 percent, the Seller must use the minimum time period and the maximum late charge permitted by applicable law. The Seller/Servicer may not change any provisions regarding late charges without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

The fixed-rate Note must also provide that if any installment due under the Note remains past due for 30 days or more, or if the Borrower is in default under any other provision of the Note or other Loan Documents, the Note will bear default interest at a rate that is not less than 4 percent per annum in excess of the Note rate. If applicable law provides for a maximum rate of default interest that is lower than 4 percent per annum in excess of the Note rate, the Seller must use the maximum rate of default interest permitted by applicable law.

### **17.3 Floating-Rate Mortgage requirements (04/15/21)**

A Floating-Rate Mortgage submitted under the Multifamily Conventional Cash Mortgage Purchase Program must meet the requirements of Section 17.2, as modified by this section.

**a. Interest rate calculation (04/15/21)**

Freddie Mac will calculate interest on a Floating-Rate Mortgage on the basis of a 360-day year and the actual number of days in the period for which interest is being calculated. As interest on a Floating-Rate Mortgage will accrue at a variable interest rate, there will not be a fixed annual debt service amount for the Mortgage.

**b. Term (04/15/21)**

The term of the Floating-Rate Mortgage may be 5, 7 or 10 years.

**c. Prohibition against prepayment (04/15/21)**

The Borrower will be prohibited from voluntarily prepaying the Floating-Rate Mortgage in whole or in part during the closed period, as set forth in Section 17.3(d), if the Borrower has chosen this prepayment premium option.



**d. Prepayment premium (04/15/21)**

Freddie Mac offers the following prepayment provisions that may be structured with the origination of a Floating-Rate Mortgage:

- One year closed period followed by 1 percent thereafter
- Declining yearly prepayment premium of 3 percent, 2 percent and 1 percent thereafter
- Declining yearly prepayment premium of 5 percent, 4 percent, 3 percent, 2 percent and 1 percent thereafter, or
- For 10-year capped Floating-Rate Mortgages only, declining yearly prepayment premium of 7 percent, 6 percent, 5 percent, 4 percent, 3 percent, 2 percent and 1 percent thereafter

Based on the prepayment provision chosen above, starting in year 2, 4, 6 or 8, Freddie Mac will waive the 1 percent prepayment premium if the Borrower voluntarily prepays the Floating-Rate Mortgage with the proceeds of a fixed-rate Mortgage that is the subject of a binding commitment for purchase between Freddie Mac and the Seller/Servicer.

No prepayment premium will be due during the Window Period as defined in the Note (usually the last three months of the term of the Floating-Rate Mortgage.)

**e. Reserved (03/03/14)**

**f. Late charges and default interest (04/15/21)**

The Floating-Rate Mortgage Note must provide that if an installment of principal (if applicable) and interest is received more than five days after its Due Date, a late charge will accrue equal to 5 percent of the amount of that installment. If applicable law prohibits imposition of a late charge until an installment is more than five days past due or provides for a maximum late charge of less than 5 percent, the Seller must use the minimum time period and the maximum late charge permitted by applicable law.

The Seller/Servicer may not change any provisions regarding late charges without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

The Floating-Rate Mortgage Note must also provide that if any installment due under the Floating-Rate Mortgage Note remains past due for 30 days or more, or if the Borrower is in default under any other provision of the Floating-Rate Mortgage Note or Loan Documents, the Note will bear default interest at a rate that is not less than 4 percent per annum in excess of the Note rate. If applicable law provides for a maximum rate of default interest that is lower than 4 percent per annum in excess of the Floating-Rate Mortgage Note rate, the Seller must use the maximum rate of default interest permitted by applicable law.





## 17.4 Moderate Rehabilitation (Mod Rehab Mortgages) (04/15/21)

A Mod Rehab Mortgage is collateralized by a well-constructed Property that can benefit from a capital infusion by the Borrower to upgrade the Property and increase its value.

Each Mod Rehab Mortgage is made in two phases. The first phase (“Interim Phase”) is structured to accommodate the proposed renovation work, while the second phase (“Permanent Phase”) is structured using the requirements of a standard cash loan. The Interim Phase consists of the initial funding issued at Mortgage origination and renovation draws issued throughout the renovation period. The renovation period cannot extend beyond the Interim Phase, and is subject to the time limits set forth in the Disbursement Agreement. At the end of the Interim Phase, the loan (with an unpaid principal balance reflecting the aggregate of the initial funding and all subsequent draws) converts to the Permanent Phase.

A Mod Rehab Mortgage must use the standard delivery option. In addition to complying with all standard requirements under the Multifamily Conventional Cash Mortgage Purchase Program noted under this Chapter 17, the following sections detail further requirements applicable to Mod Rehab Mortgages:

- [Exhibit 1, Section 1.1, Conventional Checklist](#)
- Section 60.28, Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages
- Chapter 63, Construction Reports
- Section 39.9, Servicing Moderate Rehabilitation (Mod Rehab) Mortgages
- Section 55.2, Requirements for documents contained in the underwriting package

### 1. Timing of renovation completion

All units must be habitable no later than six months prior to Conversion to the Permanent Phase. Minor unit renovations such as installation of light fixtures can be ongoing.

All renovation work must be completed no later than three months prior to Conversion.

### 2. Timing of additional proceeds request

If additional proceeds are requested, the Seller/Servicer must provide notice within six months of Conversion to the Permanent Phase and must deliver a full underwriting package four months prior to Conversion. All renovation work must be completed no later than three months prior to Conversion.

The Seller/Servicer must prepare the full underwriting package following the requirements for a standard delivery found in [Exhibit 1, Section 1.1, Conventional Checklist](#). However, the property condition report must comment on whether the renovation work is still ongoing or already completed, and incorporate the latest construction monitoring report or the post-construction analysis report, whichever is available. The construction reports are described in Chapter 63.



## **17.5 Underwriting package requirements and review period (04/15/21)**

See Section 27.5 for information regarding the content of underwriting packages.

Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

The Seller should plan for a reasonable period for Freddie Mac to process and review the LST or underwriting package before receipt of the Quote, the early rate-lock application or the Letter of Commitment, as appropriate.

## **17.6 Workforce Housing Preservation (10/19/23)**

A Workforce Housing Preservation Mortgage will have rent restrictions in place to preserve middle-income housing rental stock. Either the Loan Documents for the Workforce Housing Preservation Mortgage will contain Borrower-elected rent restrictions that are more restrictive by income or unit count than those existing pursuant to any federal, state or local requirements or the Property will be subject to third-party, non-governmental restrictions subject to Freddie Mac review and approval of the third-party agreement terms.

Workforce Housing Preservation Mortgages must comply with all standard requirements under the Multifamily Conventional Cash Mortgage Purchase Program noted under this Chapter 17, and the Workforce Housing Preservation Mortgage must:

- Require a market-based percentage of units to be set aside for middle-income tenants with a minimum of 20% of units
- Meet market-based affordability thresholds, which are measured as a percentage of area median income
- Be a fixed-rate Mortgage
- Have a preservation period that is the lesser of the term of the loan or 10 years (flexibility may be available in the last year of the loan term)
- Require annual borrower certification of rent affordability levels

# Multifamily Seller/Servicer Guide

## Chapter 18

Reserved



**Reserved for future use.**

# Multifamily Seller/Servicer Guide

## Chapter 18SBL

### Originating an SBL Mortgage



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- 18SBL.26 [SBL Maryland or Florida – Originating SBL Mortgages by Assignment, Amendment and Restatement; New York – Originating SBL Mortgages by Consolidation, Extension and Modification Agreement \(06/30/16\)](#)



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18SBL.28 [Assignment \(10/12/17\)](#)

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18SBL.30 [Public Record Searches \(08/15/24\)](#)



## 18SBL.1 Overview (12/14/23)

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 (12/12/24)

Each SBL Mortgage must have the following characteristics:

<b>Loan Purpose</b>	<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>
<b>Loan Terms</b>	<ul style="list-style-type: none"> <li>Fixed Rate SBL Mortgages - 5, 7, or 10 years</li> <li>Hybrid ARM SBL Mortgages - Following the initial fixed rate period, there is an adjustable-rate period through maturity for Hybrid ARM SBL Mortgages - 10 years total term on hybrid loans with initial fixed-rate periods of 5 and 7 years, and 20 years total term on hybrid loans with an initial fixed-rate period of 10 years</li> </ul>
<b>Amortization</b>	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.
<b>Interest Only</b>	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.
<b>Interest Rate calculation – Hybrid ARM SBL Mortgages</b>	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.



<b>Prepayments</b>	As specified in the <a href="#">Note Fixed Rate – SBL</a> and the <a href="#">Note Hybrid ARM-SBL</a> available at <a href="http://mf.freddiemac.com/lenders/legal">mf.freddiemac.com/lenders/legal</a>
<b>Sales or Transfers of Property or beneficial interest in Borrower</b>	Transfer of Ownership to a qualified purchaser is permitted on terms approved by Freddie Mac, in accordance with the terms of the SBL Loan Documents and the Guide.
<b>Borrower Recourse/Third-Party Guaranties</b>	<p>Generally non-recourse, except upon the occurrence of certain events specified in the SBL Loan Documents.</p> <p>See Section 10.2(b) in the event Freddie Mac requires one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due under the SBL Mortgage.</p>
<b>Servicing Spread</b>	The Servicing Spread for each SBL Mortgage will be as stated in the Letter of Commitment for that SBL Mortgage.
<b>Reserves</b>	<p>The Seller/Servicer must establish Reserves pursuant to the requirements of Sections 39.2 and 39.3 with the following exceptions specific to SBL Mortgages:</p> <ul style="list-style-type: none"> <li>• Reserves for real estate taxes may be deferred provided original LTV Ratio is 65 percent or less.</li> <li>• Reserves for insurance may be deferred.</li> <li>• Monthly Replacement Reserve deposits may be deferred at the discretion of Freddie Mac based on information from either the SBL Physical Risk Report or the Property site inspection.</li> </ul>
<b>Financing of Origination Fees</b>	Proceeds of the SBL Mortgage may be used to pay loan origination fees or comparable fees to the Seller/Servicer only to the extent that such fees are reasonable and in accordance with general industry standards.
<b>Late Charges/Default Interest</b>	Requirements regarding late charges and default interest are set forth in the SBL Loan Documents. The Seller/Servicer may not change any provisions regarding late charges or default interest without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

### 18SBL.3 Standard delivery—overview (06/30/16)

Freddie Mac will regularly publish a Pricing Grid indicating coupon rates applicable to Fixed-rate and Hybrid ARM SBL Mortgages.

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Provided the SBL Mortgage presented in the full underwriting package meets the requirements of the SBL Purchase Product and has been approved by the *Small Balance Loan Team*, as evidenced by issuance from Freddie Mac of the Letter of Commitment, Seller/Service providers may rate lock the SBL Mortgage with Freddie Mac at the applicable published Coupon Rate included in the SBL Letter of Commitment.

#### **18SBL.4 Standard delivery—underwriting package (06/29/17)**

To begin the standard delivery process, Seller/Service providers must submit to Freddie Mac, via Freddie Mac's Document Management System (DMS), a full underwriting package including all documents specified in the [SBL Underwriting Checklist, Section 1.2 of Exhibit 1](#). See Chapter 55SBL, SBL Documentation and Deliveries, for instructions on preparing and delivering the underwriting package and remitting any required fees to Freddie Mac as well as descriptions of Freddie Mac's requirements for each document in the underwriting package.

If the proposed SBL Mortgage does not meet one or more of the requirements for the SBL Purchase Product, Seller/Service provider must obtain a waiver from the *Small Balance Loan Team* prior to submitting the proposed SBL Mortgage to Freddie Mac.

If Freddie Mac approves the proposed SBL Mortgage, Freddie Mac will issue a Letter of Commitment as described in Section 18SBL.6.

#### **18SBL.5 Standard delivery—application fee (10/14/16)**

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/Service provider. 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/Service provider submits a full underwriting package meeting the requirements of Section 18SBL.4, Freddie Mac will determine if the SBL Mortgage is acceptable for purchase.

Freddie Mac intends to complete its review of the full underwriting package within nine Business Days of its receipt of the full underwriting package (including all third-party reports), but reserves the right to take such additional time as is reasonably necessary to complete its review.

If the contemplated SBL Mortgage is acceptable, Freddie Mac will issue a Letter of Commitment stating the maximum Mortgage amount, the maximum annual debt service (principal and interest or interest only), loan term and amortization period (if applicable), and



all additional conditions that must be satisfied before Freddie Mac purchases the SBL Mortgage.

The Letter of Commitment is valid for the period of time stated in the Letter of Commitment. If the Seller/Servicer fails to accept the Letter of Commitment offer within that stated time period, the Letter of Commitment will automatically expire, Freddie Mac will not be obligated to purchase the SBL Mortgage under any conditions, and the Seller must remit the application fee set as set forth in Section 18SBL.6(e). The Letter of Commitment will automatically incorporate by reference the terms set forth in the following sections of Chapter 27:

- Section 27.4: Seller Application
- Section 27.29: General Terms
- Section 27.30(e): O&M programs

**b. Seller/Servicer acceptance (06/30/16)**

The Seller/Servicer may accept the Letter of Commitment by following the procedures set forth in the Letter of Commitment.

After the Seller/Servicer executes the Letter of Commitment, the Seller/Servicer may not transfer, assign or otherwise modify the letter without Freddie Mac's prior written approval.

**c. Locking the Coupon Rate and fixing SBL Mortgage amount and terms (04/30/19)**

Provided the Seller/Servicer has accepted the Letter of Commitment, per Section 18SBL.6(b), the Seller/Servicer may lock the Coupon Rate stated in the Letter of Commitment and fix the actual SBL Mortgage amount and terms by submitting the executed Letter of Commitment to Freddie Mac, via DMS, no later than 3:30 p.m. Eastern time on the "Commitment Expiration Date" as specified in the Letter of Commitment. If either the Seller/Servicer or Freddie Mac does not have access to Multifamily DMS for a period of time, and as a result, Freddie Mac is unable to lock the Coupon Rate before the Coupon Rate Expiration Date, Freddie Mac will not be liable for any damages whether direct or consequential.

If the Seller fails to lock the Coupon Rate by the Commitment Expiration Date, the Seller must remit the application fee as set forth in Section 18SBL.6(e).

**d. Contract Number and Mandatory Delivery Date (06/30/16)**

Freddie Mac will provide the Seller/Servicer with the contract number of the Purchase Contract (Contract Number) and the Mandatory Delivery Date of the SBL Mortgage via email following its receipt of the countersigned Letter of Commitment in accordance with Section 18SBL.6(c) (Contract Number Confirmation Email). When it is issued, the Contract Number Confirmation Email is incorporated into and becomes a part of the Letter of Commitment. Seller/Servicer must upload the Contract Number Confirmation Email to DMS on the date of its receipt of the Contract Number Confirmation Email as part of the Letter of Commitment file.

**e. Application fee (04/30/19)**

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](mailto:mf_purchase_boarding_mgrs@freddiemac.com) notifying *Multifamily Purchase* of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.
- The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

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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](mailto:mf_purchase_boarding_mgrs@freddiemac.com) notifying *Multifamily Purchase* of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.
2. Either the SBL Mortgage or the Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

**d. Remedies for nondelivery (06/30/16)**

If Freddie Mac determines that there has been a nondelivery of an SBL Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage.)
- Charging the Seller/Servicer a breakage fee
- Taking any other action set forth in Chapter 4

**e. Calculation of the breakage fee (06/30/16)**

As liquidated damages for the nondelivery of an SBL Mortgage, Freddie Mac will charge the Seller/Servicer a breakage fee equal to two percent of the proposed SBL Mortgage amount. Freddie Mac's collection of the breakage fee will not prevent it from exercising any other remedies set forth in the Guide.



**18SBL.10** Reserved

**18SBL.11** Reserved

**18SBL.12** Reserved

**18SBL.13** Reserved

**18SBL.14** Reserved

**18SBL.15** Reserved

**18SBL.16** Reserved

**18SBL.17** Reserved

**18SBL.18** Reserved

**18SBL.19** Reserved

**18SBL.20** Reserved

**18SBL.21** Reserved

**18SBL.22** Reserved

**18SBL.23** Reserved

**18SBL.24** Accuracy of information (10/12/17)

Freddie Mac is relying upon the truth and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller/Service in connection with the Letter of Commitment and the SBL Mortgage regardless of whether any of such documents were prepared by the Seller/Service or whether the Seller/Service knew or had reason to know the accuracy of their contents.

**18SBL.25** SBL Purchase Product Loan Documents (SBL Loan Documents) (04/15/21)

The loan execution documents for the SBL Purchase Product (“SBL Loan Documents”) can be found on [mf.freddie.mac.com](https://mf.freddie.mac.com); those not found on [mf.freddie.mac.com](https://mf.freddie.mac.com) will be included in the Letter of Commitment for the applicable SBL Mortgage.

The Seller/Service may use any version of the SBL Loan Documents that have been included on the Currently Acceptable Multifamily Loan Documents-SBL list at <https://mf.freddie.mac.com/lenders/legal/> during the period between the date of the Letter of Commitment and the Origination Date.





## 18SBL.26 Maryland or Florida – Originating SBL Mortgages by Assignment, Amendment and Restatement; New York – Originating SBL Mortgages by Consolidation, Extension and Modification Agreement (06/30/16)

- a. If the Property is located in Maryland or Florida, the Seller/Servicer may originate the SBL Mortgage by purchasing an existing mortgage from the current holder of that mortgage (MD/FL Existing Mortgage), and then modifying, extending, renewing, amending and/or consolidating the MD/FL Existing Mortgage (MD/FL Amended and Restated Mortgage).
- b. If the Property is located in New York, the Seller/Servicer may originate the SBL Mortgage by combining and then restating the rights, obligations, promises and agreements stated in existing mortgages secured by the Property (NY Existing Mortgages) by using a Consolidation, Extension and Modification Agreement (CEMA) (NY CEMA Mortgage).
- c. The MD/FL Existing Mortgage and NY Existing Mortgages will be assigned to the Seller/Servicer in lieu of being discharged (Assignment). The Seller/Servicer may document the Assignment in the manner appropriate to local practice, except that if the Assignment is by Freddie Mac, then the note(s) for the MD/FL Existing Mortgage or NY Existing Mortgages will be endorsed by Freddie Mac to the Seller/Servicer without recourse or warranty, and the security instrument(s) for the MD/FL Existing Mortgage or NY Existing Mortgages will be assigned by Freddie Mac to the Seller/Servicer using the standard form of Freddie Mac Assignment of Security Instrument.
- d. Specific delivery requirements for MD/FL Amended and Restated Mortgages and NY CEMA Mortgages are set forth in the SBL Final Delivery Instructions and SBL Tables of Contents.
- e. If Freddie Mac holds the MD/FL Existing Mortgage or the NY Existing Mortgages, the Seller/Servicer must prepare and deliver to the Freddie Mac Multifamily Loan Accounting Payoff Team ([mfopsloanacctpayoffs@freddiemac.com](mailto: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/Service (Freddie Mac Assignment). After a Freddie Mac Assignment, all references to Freddie Mac in the Letter of Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

#### **18SBL.29 Buy Up (Premium Pricing) (10/12/17)**

If Freddie Mac purchases the Mortgage, in addition to the purchase price Freddie Mac pays to Seller/Service for the SBL Mortgage, Freddie Mac will pay Seller/Service an amount equal to the Buy Up Fee amount to be paid to Seller as set forth in the Letter of Commitment.

#### **18SBL.30 Public Record Searches (08/15/24)**

Seller/Service must conduct the Public Records Searches on applicable individuals and entities in accordance with the requirements set forth in the Guide and the [Public Records Search Requirements](#). See also Section 2.28.

# Multifamily Seller/Servicer 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 \(09/22/17\)](#)
- g. [Other requirements \(03/31/11\)](#)

#### 19.2 [Mortgage requirements \(02/27/25\)](#)

- 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 \(02/27/25\)](#)
- f. [Additional underwriting requirements for TAH Mortgages with subordinate debt \(04/27/18\)](#)
- g. [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 (02/27/25)**

**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 (02/27/25)**

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. 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 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 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/Servicer'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,

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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
<b>Bridge to Resyndication</b>	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.
<b>Bridge to Syndication</b>	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.

# Multifamily Seller/Servicer Guide

## Chapter 19A

### Originating a Targeted Affordable Housing Cash Mortgage under a Forward Commitment



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## 19A.1 Overview (02/27/25)

### a. Availability of Forward Commitments (05/31/11)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Cash Mortgage originated under a Forward Commitment (as defined in Section 19A.2 below) utilizing the prior approval model. To be eligible to enter into a Forward Commitment, a Targeted Affordable Housing Seller/Servicer must meet the requirements specified in Section 3.13.

See [Exhibit 2, Origination Guidelines for Affordable Products](#), for additional information about the types of affordability components that are available to Targeted Affordable Housing Seller/Servicers.

### b. Investment quality, types of Mortgages and Mortgage requirements (06/15/23)

Unless otherwise specified below, the requirements for investment quality, types of Mortgages and other Mortgage requirements are the same for all TAH Cash Mortgages, including those purchased by Freddie Mac pursuant to a Forward Commitment.

#### 1. Mortgages eligible for purchase under a Forward Commitment

Under a Forward Commitment, Freddie Mac purchases (after Conversion):

- Fixed-rate Mortgages in which the interest rate is unchanged for the entire Mortgage term. Fixed-rate Mortgages may be partial term interest-only.
- Floating-Rate Mortgages in which the interest rate is adjusted for the entire Mortgage term. A Floating-Rate Mortgage may be partial term interest-only.

Freddie Mac will purchase a Mortgage under a Forward Commitment if the Property has a 4% LIHTC allocation or a 9% LIHTC allocation or meets the requirements for Non-LIHTC Forward Commitments provided in the [term sheet](#). Additionally, the Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of Rate Lock.

See the following sections in Chapter 19, Originating a Targeted Affordable Housing Cash Mortgage for additional information and requirements:

- Section 19.1(b): Investment quality
- Section 19.1(f): Minimum Origination Fee
- Section 19.1(g): Other requirements
- Section 19.2: Mortgage requirements

#### 2. Mortgages ineligible for purchase under a Forward Commitment:

- Preservation Rehabilitation Mortgages



- TAH Bridge Loans

**c. Freddie Mac's review of construction documentation (02/27/25)**

The Seller must submit the following for Freddie Mac to review as part of the full underwriting package:

- A pre-construction analysis report, as described in Section 63.3(a)
- A narrative summary, including a property and site description and a summary analysis of the development team's qualifications, that is prepared by the Chief Architect/Engineer, as outlined in Section 63.3(c) and [Exhibit 1.30](#).

**19A.2 Description and types of Forward Commitments (08/18/22)**

**a. Description of Forward Commitments (08/18/22)**

A Forward Commitment provides a single source of construction, in the case of a Funded Forward Commitment, and/or permanent financing for new construction or substantial rehabilitation of a multifamily property that qualifies as a Targeted Affordable Housing Product, in the case of an Unfunded Forward Commitment. In this chapter, the term "construction" will include substantial rehabilitation.

A Forward Commitment is executed by the Seller and Freddie Mac. Freddie Mac commits to locking the interest rate or spread for the permanent Mortgage and the Seller commits to delivering a permanent Mortgage to Freddie Mac when the project is complete and has met each of the Conditions to Conversion (as defined in Section 19A.12). Freddie Mac locks the rate or spread for the permanent Mortgage when the Forward Commitment is accepted by the Seller. The Property must reach stabilization and meet the Conditions to Conversion before Freddie Mac purchases the Mortgage and, in the case of a Funded Forward Commitment, releases the Construction Phase Letter of Credit.

**b. Types of Forward Commitments (05/31/11)**

There are two types of Forward Commitments: Funded Forward Commitments and Unfunded Forward Commitments:

- In a Funded Forward Commitment, Freddie Mac advances funds to the construction lender during the construction period and, as security for the funds, requires the construction lender to provide Freddie Mac with the Construction Phase Letter of Credit.
- In an Unfunded Forward Commitment, Freddie Mac does not advance construction funds to the construction lender, and therefore does not require a Construction Phase Letter of Credit.

**19A.3 Forward Commitment Property Inspection (03/03/17)**

Freddie Mac requires a Forward Commitment Property Inspection for every Forward Commitment. See Section 8.16 for Freddie Mac's requirements for the Forward Commitment Property Inspection.



#### 19A.4 Construction lender (10/21/21)

The Seller must determine that the construction lender:

- Employs an experienced, fully-staffed construction lending department
- Demonstrates sufficient construction lending experience with successful construction lending on projects of similar size and complexity for the relevant type of property
- For a Funded Forward Commitment, has executed a Master Forward Financing Agreement with Freddie Mac

For each Funded Forward Commitment, the construction lender must execute an Addendum to the Master Forward Financing Agreement with Freddie Mac regarding the terms and conditions for the specific Forward Commitment. The Addendum must be delivered to *Multifamily Purchase* with the Construction Phase Letter of Credit.

#### 19A.5 Loan Submission Template (LST), Quote, underwriting package, Commitment and Rate Lock; approval by TAH Underwriting Supervisor (08/18/22)

The applicable provisions of Chapter 27 apply regarding the LST, Quote, underwriting package, Commitment and Rate Lock. However, the following exceptions to the requirements of Chapter 27 apply to TAH Forward Commitments:

- The LST and full underwriting package, as applicable, must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13
- Under a Funded Forward Commitment, the construction lender has the option to choose that construction advances be made in either a single draw or in multiple draws. The requirements for both the single and multiple draw options are described in the construction lender's Master Forward Financing Agreement.

#### 19A.6 Fees (06/13/24)

The provisions of this Section 19A.6 will apply to any Forward Commitment with a revision date between 8-18-2022 and 2-27-2024. For Fee Provisions for Forward Commitments with a revision date on or after 5-20-2024, see the Forward Commitment.

##### a. Application Fee (06/13/24)

The Seller must pay to Freddie Mac the Application Fee, as set forth in the Forward Commitment and in Section 27.6. If the Actual Mortgage Amount at Conversion exceeds the Maximum Mortgage Amount in the Forward Commitment, then the Seller must pay to Freddie Mac the additional Application Fee described in the Conversion Acceptance Letter (as defined below) prior to the acceptance of the Conversion Acceptance Letter. The Application Fee is not refundable.



**b. Commitment Fee (08/18/22)**

The Seller is obligated to pay a refundable commitment fee (“**Commitment Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment. The Commitment Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock. At the option of the Seller, the Commitment Fee can be in the form of cash or a letter of credit. A letter of credit must satisfy the requirements set forth in Section 11.2. If the Mortgage is not delivered to Freddie Mac by the Mandatory Delivery Date in accordance with the Forward Commitment for any reason, the Commitment Fee, along with any interest accrued thereon, will be retained by Freddie Mac. If the Mortgage is delivered to Freddie Mac by the Mandatory Delivery Date and purchased by Freddie Mac, the Commitment Fee will be refunded in accordance with the Guide.

**c. Delivery Assurance Fee – for 9% LIHTC Forward Commitments (06/13/24)**

1. **Generally:** For 9% LIHTC Forward Commitments, in addition to the Application Fee and the Commitment Fee, and in order to ensure performance of the mandatory delivery obligation, the commitment to be executed by the Seller and the Borrower in respect to the Mortgage (“**Lender Permanent Loan Commitment**”), the terms of which are consistent with the terms of the Forward Commitment, will include: (a) a covenant by the Borrower to close the Mortgage with the Seller pursuant to the terms of the Lender Permanent Loan Commitment; and (b) a requirement for payment by the Borrower of the Delivery Assurance Fee, in the amount set forth in the Forward Commitment.
2. **Freddie Mac to hold Delivery Assurance Fee:** The Seller will deliver the Delivery Assurance Fee to Freddie Mac no later than the first Business Day immediately after the Construction Loan closing. The Delivery Assurance Fee will be held by Freddie Mac. The Delivery Assurance Fee will be retained by Freddie Mac if the Mortgage is not delivered to Freddie Mac. The Delivery Assurance Fee will be refunded to Borrower: (a) if the Mortgage is delivered to Freddie Mac on or before the Forward Commitment Maturity Date or (b) in accordance with the terms of the Forward Commitment.
3. **Form of Delivery Assurance Fee:** The Delivery Assurance Fee for the Forward Commitment may be in the form of cash, a letter of credit or a secured note. A letter of credit must satisfy the requirements set forth in Section 11.2. The Delivery Assurance Fee in cash or letter of credit must be delivered to *Multifamily Purchase* not less than one Business Day after the Construction Loan closing.

If a secured note is used for the Delivery Assurance Fee, then the Seller must provide a duly executed [Delivery Assurance Note](#) (in the form published on the Freddie Mac web site) secured by a [Delivery Assurance Mortgage](#) (in the form published on the Freddie Mac web site, and together with the Delivery Assurance Note, the “**Delivery Assurance Documents**”) to evidence and secure the obligation to deliver the permanent Mortgage to Freddie Mac. The Seller must promptly notify Freddie Mac if any part of the form of Delivery Assurance Note or Delivery Assurance Mortgage is not enforceable under the laws of the applicable jurisdiction and recommend such changes as may be required to cause the Delivery Assurance Note or the Delivery Assurance Mortgage to be enforceable under applicable law. Freddie Mac agrees that the Delivery Assurance Mortgage will be subordinate to the security instrument securing the Construction Loan.





The Borrower must execute the Delivery Assurance Note and the Delivery Assurance Mortgage upon the Borrower's execution of the Lender Permanent Loan Commitment. If, however, the Borrower will not acquire the Property until the Construction Loan closing, then the Borrower may execute the Delivery Assurance Mortgage at the Construction Loan closing. The Delivery Assurance Mortgage must be recorded at the time of the Construction Loan closing. Both the Delivery Assurance Note, endorsed to Freddie Mac, and the Delivery Assurance Mortgage, assigned to Freddie Mac, must be delivered to *Multifamily Purchase* no later than five Business Days after the Construction Loan closing.

4. **Payment or Release of Delivery Assurance Note:** The Delivery Assurance Note will be due and payable by the Borrower on the earlier of: (a) the Forward Commitment Maturity Date or (b) the date on which the Commitment Fee and/or Breakage Fee (as defined in the Forward Commitment) are/is due. If the Delivery Assurance Fee is to be refunded pursuant to the provisions above, then the Seller will send notice to Freddie Mac pursuant to Section 19A.13 below. The release of the Delivery Assurance Fee will in no way limit or otherwise modify the Seller's obligations as set forth in the Forward Commitment nor will it limit or otherwise modify Freddie Mac's rights and remedies as set forth in the Forward Commitment.

#### d. Standby Fee – for Non-LIHTC Forward Commitments (08/18/22)

For Non-LIHTC Forward Commitments, in addition to the Application Fee and the Commitment Fee, the Seller must pay a standby fee (the "**Standby Fee**") to Freddie Mac in the amount set forth in the Forward Commitment, for each year (or partial year, prorated) prior to the date of Conversion. The Standby Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock.

The Seller is also obligated to pay an additional Standby Fee to Freddie Mac with respect to any extension of the Forward Commitment Maturity Date. The additional Standby Fee must be delivered to Freddie Mac concurrently with the fully executed originals of each amendment to the Forward Commitment to effectuate such extension(s).

The Standby Fee is not refundable.

### 19A.7 Construction period security (08/30/13)

With a Funded Forward Commitment, Freddie Mac must be secured during construction by a Construction Phase Letter of Credit, which must be:

- In a form acceptable to Freddie Mac and meeting all requirements set forth in Section 11.2
- In an amount equal to the maximum Mortgage amount plus 45 days of interest at the Mortgage rate; on transactions with multiple draws the 45 days of interest will be contained in the Construction Phase Letter of Credit issued for the first draw on the Mortgage
- With an expiration date no earlier than 60 days after the Forward Commitment Maturity Date, which is set forth in the Forward Commitment
- Accompanied by an opinion of the issuer's counsel with respect to the issuer of the letter of credit that meets the requirements of Section 11.2



## 19A.8 Construction Loan closing for Funded Forward Commitments (05/01/14)

Freddie Mac, the Seller, the construction lender and the escrow agent execute an escrow agreement. The escrow agreement must meet the requirements of the Master Forward Financing Agreement and must be in form acceptable to Freddie Mac and the other parties to the escrow agreement. Each party to the escrow agreement must deliver an executed escrow agreement, together with other applicable documents and/or collateral, to the escrow agent not later than two Business Days prior to the Project Loan closing.

Upon the escrow agent's receipt of the executed escrow agreement, the escrow agent will email it to Freddie Mac in PDF form and will overnight the original executed escrow agreement to Freddie Mac at the address provided in the escrow agreement.

No later than the first Business Day immediately after the Construction Loan closing for a Forward Commitment, the Seller must deliver a Forward Commitment Initial Delivery Package to *Multifamily Purchase*. The requirements for the Forward Commitment Initial Delivery Package are found in the Initial Delivery Instructions – Forward Commitments, which is available at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase).

## 19A.9 Construction monitoring (03/03/17)

The Seller must retain an Architectural Consultant meeting the requirements of Section 63.2(a) to prepare the construction reports and monitor the progress of the construction.

During the construction phase, the Architectural Consultant is responsible for ensuring that appropriate construction due diligence takes place, including the preparation of construction monitoring reports, which must be provided to the Seller on a regular basis. The Seller must monitor the progress of the construction and notify Freddie Mac of any material issues that could have an adverse effect on the project's scope or quality or could result in a request to extend the Forward Commitment. Freddie Mac expects the Seller to be familiar with the progress of the project. See Section 63.4 for the content of the construction monitoring reports and the duties and responsibilities of the Seller and the Architectural Consultant with respect to the construction monitoring reports.

If the Seller receives a request from a third party (such as an agency of the local governing body) for Freddie Mac's authorization or sign-off for items such as plat recordations or impact fees, the Seller must advise the third party to send any such documentation directly to the Seller. The Seller's counsel must review all documentation and provide Freddie Mac with a preliminary legal issues memorandum meeting the requirements of Section 6.4. Freddie Mac must receive a written recommendation from the Seller prior to executing or denying any requested authorization or sign-off. The Seller and its counsel must ensure that any such requests comply with all documents previously executed or approved for the transaction, including the approved plans and specifications.

## 19A.10 Extending the Forward Commitment (06/15/23)

### a. General (06/15/23)

The Forward Commitment Maturity Date may be extended for one 6-month period, upon full and timely satisfaction of each and all of the conditions to extension set forth herein and payment of the extension fee (as specified in the Forward Commitment with respect to the



first extension and as required by Freddie Mac in connection with any additional extension). Any extension request beyond the first 6 months will be in Freddie Mac's sole discretion and approval may be based on the satisfaction of any conditions that Freddie Mac determines in its sole discretion. An extension may require a new Appraisal, as discussed in more detail in Section 60.30.

In connection with any extension, the Seller must confirm to Freddie Mac that:

- The Seller has taken such steps and acts as may be necessary or appropriate to perfect and continue Freddie Mac's liens upon and security interest in the Property;
- The Seller has received the prior written consent of the Construction Lender, or to the extent applicable, the Seller has provided to Freddie Mac evidence as to why such consent is not required; and
- The Seller has received the prior written consent of the LIHTC Investor, or to the extent applicable, the Seller has provided to Freddie Mac evidence as to why such consent is not required.

The Borrower is responsible for all fees and costs associated with such extensions, including letter of credit fees, legal fees and recording costs, as applicable.

If the Forward Commitment Maturity Date is extended, the term "**Forward Commitment Maturity Date**" as used in the Commitment, means the original Forward Commitment Maturity Date, as extended pursuant to the conditions to Extension.

## **b. Request for extension (08/18/22)**

### **1. First extension**

No later than 60 days prior to the Forward Commitment Maturity Date, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a first extension, and must include the following:

- A synopsis of the deal
- A reason for the extension request
- Projected stabilization timeline

Following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension, the amount of the stand-by fee and the amount of the extension fee as specified in the Forward Commitment via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS or email.

The term of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date and no later than 30 days prior to the expiration of the Construction Phase Letter of



Credit or any letters of credit for the Commitment Fee or the Delivery Assurance Fee, as applicable.

## **2. Subsequent extension**

No later than 60 days prior to the Forward Commitment Maturity Date, as extended, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a subsequent extension, and must include the following:

- A synopsis of the deal
- A reason for the extension request
- Projected stabilization timeline

Following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension, any additional conditions to extension which Freddie Mac determines in its sole discretion and the amount of the extension fee via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS or email.

The terms of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments to or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date, as extended, and no later than 30 days prior to the expiration of the Construction Phase Letter of Credit or any letters of credit for the Commitment Fee or the Delivery Assurance Fee.

### **19A.11 Complete property inspection (08/18/22)**

The Seller must conduct a complete property inspection of the Property before initiating Conversion pursuant to Section 19A.13. The Seller must be satisfied that the finished project has been completed as proposed in a workmanlike manner and that there have been no changes to the Property that would adversely affect its lease-up or ongoing operational costs as originally proposed. The Seller may make this determination by reviewing the final construction reports of the Architectural Consultant, the construction lender, the architect of record and government inspectors; however, the Seller must make its own determination of the Property and the market. For additional information on the complete property inspection see Section 8.15(b).

Once the architect of record has executed the certification of substantial completion, the Architectural Consultant must submit to the Seller the post-construction analysis report with a final narrative evaluation. The Seller must review this report and ensure that it meets the requirements of Section 63.5(a).

### **19A.12 Conditions to Conversion (06/13/24)**

#### **a. Underwriting criteria for Conversion (08/18/22)**

By: (i) submission of a TAH Cash Conversion Underwriting Package and (ii) the Seller's execution of the Forward Commitment, the Seller represents and confirms to Freddie Mac that

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the Seller will underwrite the Mortgage described in the Forward Commitment and deliver the Mortgage in accordance with the standards set forth in the Guide, as modified by the Forward Commitment. The underwriting criteria set forth in the Guide, as made applicable to the Mortgage by the Forward Commitment and as in effect on the date of the Forward Commitment, will not be changed or modified by Freddie Mac prior to the Forward Commitment Maturity Date. Notwithstanding the foregoing, Freddie Mac reserves the right to effect changes in and modifications to its procedural requirements with respect to the delivery and Servicing of any Mortgage and the Seller agrees to adhere to any such changes and modifications.

**b. Time limit for meeting Conditions to Conversion (08/18/22)**

Freddie Mac's Forward Commitment and agreement to purchase the Mortgage will terminate and be of no force or effect in the event that the Seller is unable to fully satisfy each and all of the Conditions to Conversion on or before the Forward Commitment Maturity Date or extended Forward Commitment Maturity Date, as applicable.

**c. Definitions applicable to Conditions to Conversion (08/18/22)**

As used in this Section 19A.12, the following terms have the following meanings:

- “*Acceptable Leases*” means legally valid, binding and enforceable written lease agreements with bona fide residential tenants (excluding employees of the Borrower or any affiliate of the Borrower) providing for initial lease terms of not less than six months and complying with all applicable laws and with the Guide.
- “*Approved Plans*” means the plans, specifications, drawings, sketches, reports, budget and completion schedule and materials specified in the Seller's full underwriting package for the Forward Commitment submitted to and approved by Freddie Mac prior to the Rate Lock date, together with such changes as have been approved for the Improvements pursuant to the terms of the Forward Commitment.
- “*Conditions to Conversion*” means, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, this Section 19A.12, and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.
- “*Event of Insolvency*” means any of the following events with respect to the Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal: (a) any of the foregoing will: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or fail to vacate the appointment of a receiver or trustee for itself or for all or any part of its property or assets; (iii) file a petition seeking relief under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; (iv) make a general assignment for the benefit of creditors; (v) admit in writing its insolvency, bankruptcy or inability to pay its debts as they come due; (vi) have all or any substantial portion of its assets attached, seized, subjected to a writ or distress warrant, or otherwise levied upon; or (vii) be unable to or fail to pay its debts as they mature; (b) any Governmental Authority will enter an order, judgment or decree appointing a receiver or trustee for the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal for all or any part of its property or assets; (c) a petition is filed against the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal seeking relief under the United States





Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; or (d) any Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal is put on probation or its activities are restricted in any manner by any Governmental Authority, or becomes subject to any order, judgment, decree, finding or regulatory action that would adversely affect such person's ability to comply in all respects with the terms and conditions of the Forward Commitment, the Lender Permanent Loan Commitment, the Mortgage, the Construction Loan documents, or any other document, instrument or certificate executed and delivered, or required to be executed and delivered, pursuant thereto.

- “*Governmental Authority*” means the United States of America, any State, district, territory, municipality, foreign state, or other foreign or domestic government, or department, agency, board, commission, or instrumentality of any of the foregoing.
- “*Improvements*” means the buildings, structures and improvements now constructed or at any time in the future constructed or placed upon the land, including any future alterations, replacements and additions.
- “*Units*” means, collectively, the residential rental housing in the Property.

#### d. **Property requirements for Conversion (06/13/24)**

By the Seller's acceptance of the Forward Commitment, the Seller has agreed to deliver to Freddie Mac a Mortgage in accordance with the standards set forth in the Purchase and Servicing Documents. In order for Freddie Mac to purchase the Mortgage, the following Conditions to Conversion must have been satisfied on the date of submission of the TAH Cash Conversion Underwriting Package (see checklist in [Section 1.31 of Exhibit 1](#)) by the Seller to Freddie Mac, and on the date of Conversion:

1. **Completion of Construction or Rehabilitation.** The Borrower will have completed the construction and/or rehabilitation of the Improvements on the Property (including all amenities, landscaping, signage, parking and the like, except for minor punch list and weather-sensitive items for which sufficient funds have been reserved in a repair escrow) (i) in a good and workmanlike manner and substantially in accordance with the Approved Plans, (ii) on a lien-free basis, (iii) in compliance in all material respects with all applicable treaties, conventions, statutes, laws, regulations, ordinances, permits, licenses, variances, certificates, consents, clearances, closures, exemptions, injunctions, judgments, orders, decrees, settlement agreements, decisions, actions or requirements of any Governmental Authority, subdivision requirements, fire and safety laws, the requirements of the Americans with Disabilities Act and, if applicable, the design and construction requirements established pursuant to the Fair Housing Act, as amended, and (iv) in compliance with the environmental requirements of the Guide and the Forward Commitment. The TAH Cash Conversion Underwriting Package will contain evidence of such completion as may be requested by Freddie Mac.
2. **Requirements for Borrower; Guarantor(s); Designated Entity for Transfers; Borrower Principal.** Except in accordance with the requirements set forth below, the identity of the Borrower and Guarantor(s) will remain as set forth in [Exhibit B](#) to the Forward Commitment. There will be no reduction in the direct or indirect ownership or control of the Borrower by any Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal. There will be no material adverse change in the condition, financial



or otherwise, of the Borrower, any partner of the Borrower (if the Borrower is a partnership), any member of the Borrower (if the Borrower is a limited liability company), any Guarantor, Designated Entity for Transfers or Borrower Principal from that which was disclosed to Freddie Mac in the Seller's full underwriting package for the Forward Commitment. Notwithstanding the forgoing, Freddie Mac agrees that the Mortgage may be delivered by the Seller with a different tax credit fund (a "**Substitute Tax Credit Fund**"), subject to Freddie Mac's approval. As a condition to Freddie Mac's approval of a Substitute Tax Credit Fund, the Substitute Tax Credit Fund must be controlled by the same LIHTC Syndicator or LIHTC Investor as was disclosed in the Forward Commitment and must satisfy all other requirements of the Forward Commitment or the Guide, as applicable, for a qualifying tax credit fund.

### 3. **Minimum Occupancy Requirement.**

- For Properties with 100 percent of units subject to rent and income restrictions:
  - Have stabilized occupancy at 85 percent for one month prior to the submission of the underwriting package for Conversion
  - Confirm and maintain stabilized occupancy at 85 percent during underwriting at Conversion
- For Properties that do not have 100 percent of units subject to rent and income restrictions:
  - Have stabilized occupancy at 85 percent for three months prior to the submission of the underwriting package for Conversion
- For each month from and after the date construction and/or rehabilitation of the Improvements on the Property is completed, through and including the Conversion date, the Borrower will provide to the Seller a current rent roll for that month, each certified as true and correct by the Borrower and the property manager for the Property, and such other information as may be reasonably required by the Seller and/or Freddie Mac to determine the physical occupancy of the Property.

### 4. **Debt Coverage Ratio Requirement.** The Property must have a Debt Coverage Ratio (DCR) that is:

- Greater than or equal to the minimum DCR for the Mortgage product, and
- No more than 10 basis points lower than the priced DCR

### 5. **Actual Mortgage Amount.**

- a. At Conversion, Freddie Mac will have determined the amount of the Mortgage, in its sole discretion, using Freddie Mac's underwriting standards and criteria as of the date of the Conversion ("**Actual Mortgage Amount**"). Unless waived in writing by Freddie Mac, which waiver will be made by Freddie Mac in its sole discretion, the Actual Mortgage Amount will not exceed the Maximum Mortgage Amount and will not be less than the Minimum Mortgage Amount at Conversion, each as set forth in Exhibit A of the Forward Commitment.





- b. If the Actual Mortgage Amount is less than the Maximum Mortgage Amount but greater than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower must demonstrate to Freddie Mac's satisfaction, prior to the Conversion date, that the Borrower has secured a source of funds acceptable to Freddie Mac ("**Additional Source of Funds**") to cover the difference between the Maximum Mortgage Amount and the Actual Mortgage Amount ("**Loan Differential**"). If the Actual Mortgage Amount is less than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower and/or Breakage Obligor must pay the Modified Breakage Fee (as defined in Schedule I to the Forward Commitment) and the Borrower must show an Additional Source of Funds; provided that in the event there is a nondelivery, the Borrower and/or Breakage Obligor must pay the Breakage Fee described in Schedule I to the Forward Commitment.
- c. If the Borrower will incur additional debt to cover all or a portion of the Loan Differential and/or the Modified Breakage Fee, the additional debt must be subordinated to the Mortgage, and the terms, conditions and documentation of the additional debt must meet the requirements for Subordinate Financing as set forth in the Guide.
- d. **Additional Actual Mortgage Amount**
  - 1. Upon completion and lease up of the Property, and prior to the origination of the Mortgage, if the performance of the Property exceeds the pro-forma rents, occupancy and other criteria used by Freddie Mac to underwrite the Mortgage prior to the issuance of the Forward Commitment, the Seller may request the Actual Mortgage Amount be greater than the Maximum Mortgage Amount by an amount that does not exceed the Additional Actual Mortgage Amount Percentage listed in the Confirmation Sheet (or, if not listed in the Confirmation Sheet, then for those Forward Commitments with revision dates of 2-27-2024 or earlier, 10%) (the "**Additional Actual Mortgage Amount Percentage**") of the Maximum Mortgage Amount (any such increase referred to as the "**Additional Actual Mortgage Amount**").
  - 2. In connection with a request for Additional Actual Mortgage Amount, the Seller will include in the TAH Cash Conversion Underwriting Package (i) a calculation of the Actual Mortgage Amount supporting the requested Additional Actual Mortgage Amount and (ii) a new Appraisal which complies with the requirements of Chapter 60, and which Appraisal supports the requested Additional Actual Mortgage Amount
  - 3. Freddie Mac's approval of any Additional Actual Mortgage Amount in excess of the Maximum Mortgage Amount will be made in Freddie Mac's own discretion based on its underwriting criteria at the time of such request.
  - 4. To the extent the requested Additional Actual Mortgage Amount is approved by Freddie Mac, (i) the interest rate on such Additional Actual Mortgage Amount will be equal to the Mortgage interest rate determined at Rate Lock and specified in the executed and delivered Exhibit A and (ii) the Conversion Acceptance Letter delivered by Freddie Mac pursuant to Section 19A.13 (the "**Conversion**")



**Acceptance Letter**") will also set forth: (a) the Additional Actual Mortgage Amount so approved, (b) any additional Application Fee that may be due as a result of the Additional Actual Mortgage Amount, and (c) any other updated terms and conditions related to the Additional Actual Mortgage Amount (including the deposit of a Breakage Fee related thereto) or otherwise with respect to the Mortgage.

6. **Equity Contributions; Other Funds.** The TAH Cash Conversion Underwriting Package will contain:
  - a. Assurances and evidence that the Borrower: (i) has received or will receive, fully and timely, all equity contributions as required by the Borrower's operating documents to be made to the Borrower as of the date of Conversion, and has properly applied such equity contributions, proceeds, and other cash to the Property to the extent received, and (ii) has funded or will fund, fully and timely, all cash required to be invested in the Property; and
  - b. Assurances and evidence that: (i) either (A) all approved Subordinate Financing has been or will be received by the Borrower as of the date of Conversion; or (B), if and to the extent any approved Subordinate Financing has not or will not be received on or before the Conversion date (the "**Approved Subordinate Financing Shortfall**"), the Borrower has received or will receive, fully and timely, additional equity contributions from one or more of its partners in an amount equal to the Approved Subordinate Financing Shortfall as of the date of Conversion, and (ii) such amounts have been or will be applied to the Property.
7. **Low-Income Housing Tax Credits.** For LIHTC transactions only, the TAH Cash Conversion Underwriting Package will contain assurances and evidence that: (i) the Property is eligible for low-income housing tax credits; (ii) the Borrower has taken all steps necessary to obtain allocation of such low-income housing tax credits to the Property in the required amount; and (iii) the Property must: (A) meet the requirements of a "qualified low-income housing project" within the meaning of Section 42(g) of the Internal Revenue Code and of a "qualified residential rental project" within the meaning of Section 142(d) of the Internal Revenue Code and (B) at all times must have been in compliance with all: (1) federal, State and local low-income housing and other requirements applicable to the Property and (2) any applicable requirements of the Internal Revenue Code, and the final, proposed and temporary regulations issued under the Internal Revenue Code.
8. **Title and Survey.** The TAH Cash Conversion Underwriting Package will contain: (i) an update to the analysis of and recommendation as to the exceptions to title from the Seller and the Seller's counsel and (ii) an ALTA "as-built" survey of the completed construction and/or rehabilitation of the Improvements on the Property, prepared by a licensed surveyor, certified to the Seller, Freddie Mac and the title insurance company and which will otherwise conform with Freddie Mac's then-current survey requirements.
9. **Appraisal.** If required by the Guide, the Forward Commitment or the Conversion Acceptance Letter, the Seller will obtain, at the Borrower's sole expense, a redocumentation of the value of the Property determined by the appraisal of the Property prepared for the Seller and Freddie Mac prior to the date of the Forward Commitment. Such redocumentation of value must be in form and substance acceptable to the Seller and Freddie Mac and prepared for the Seller and Freddie Mac by a State-certified



appraiser approved by the Seller or, if required by the Seller, a new Appraisal of the Property that complies with the requirements of Chapter 60.

10. **Updated Environmental Report and Post-Construction Analysis Report.** Freddie Mac will have received for review an updated Phase I environmental report, if required pursuant to the Forward Commitment and/or the Guide, and post-construction analysis report, which will include, among other things, an on-site inspection and identification of any Deferred Maintenance or Life Safety Hazards issues.
11. **Updated Legal Analyses.** The Seller's counsel will have prepared updated legal analyses on the then current forms acceptable to Freddie Mac and will have emailed those updated analyses to the Freddie Mac in-house counsel assigned to the specific transaction.
12. **Other Real Estate Due Diligence.** In addition to those items required by this Section 19A.12, review of any other agreements, documents, instruments, certificates, reports, papers and matters which are subject to Freddie Mac's review and approval under the terms of the Forward Commitment and the Guide.
13. **Absence of Change in Law.** There will be no: (i) change in federal or State law, (ii) pending or proposed legislation, (iii) decision or pending decision of any court or administrative body, (iv) ruling or regulation (including any final, temporary or proposed federal regulation), (v) official pronouncement, or (vi) other action or event that, in Freddie Mac's sole judgment, materially adversely affects or may materially adversely affect, directly or indirectly, the transactions to be effected pursuant to the Forward Commitment or Freddie Mac's ability to purchase the Mortgage.
14. **Compliance with Regulatory Agreement and Other Agreements.** The TAH Cash Conversion Underwriting Package will also contain all regulatory agreements and other agreements affecting the Property as well as evidence, satisfactory to Freddie Mac, of the Property's compliance with the terms of each. The Seller's counsel will provide Freddie Mac with an analysis for each regulatory agreement affecting the Property.
15. **Absence of Default.** There will be no uncured default, or the continuation of any event that may with the passage of time cause a default, under: (a) any of the Purchase and Servicing Documents, (b) the Mortgage Documents, (c) any approved Subordinate Financing or (d) any organizational document of the Borrower. Further, an Event of Insolvency will not have occurred at any time.
16. **Truth of Representations and Warranties.** There will be no material error or misstatement in, or omission from, any representation or warranty made by the Seller in the full underwriting package for the Forward Commitment or the TAH Cash Conversion Underwriting Package or by the Borrower in the Mortgage Documents.
17. **Payment of Fees.** All fees required by the Forward Commitment and the Guide will be paid in a timely manner and in accordance with the requirements of the Forward Commitment and the Guide.
18. **Execution and Recordation of Documents.** The release of the Mortgage and security interest of the construction lender must have been executed and recorded or delivered in escrow for recording under arrangements satisfactory to Freddie Mac.



19. **Gap or Bridge Financing Repaid.** The TAH Cash Conversion Underwriting Package will contain assurances and evidence that any gap or bridge financing provided to the Borrower has been or will be, as of the date of Conversion, paid in full and all liens imposed on the Borrower in connection with such financing have been or will be released as of the date of Conversion, including, but not limited to, the release from record of all related liens on the Property.
20. **Building Law Ordinance Insurance.** If required by Freddie Mac, building law ordinance insurance will be provided on or before the Conversion date, in form and substance acceptable to Freddie Mac.
21. **No Material Legal Action.** There must not have been any material litigation, investigation, proceeding, decree, judgment or settlement brought against or otherwise affecting the Property, the Borrower, any Borrower Principal, any partner or member (as applicable) of the Borrower, any managing officer of the Borrower, the Guarantor, or any affiliate of the foregoing, or the assets or properties thereof, from that which existed on the date of the Forward Commitment.

**e. Other Conversion criteria (08/18/22)**

Any special terms or additional Conditions to Conversion specified in the Forward Commitment must be satisfied. See Section 19A.13 below and the TAH Cash Conversion Underwriting Package in [Section 1.31 of Exhibit 1](#) for additional information about the items that must be submitted as part of the Conversion underwriting package.

**19A.13 Loan Documents, TAH Cash Conversion Underwriting Package and notification of Conversion (06/13/24)**

**a. Loan Documents to be used at Conversion (12/15/22)**

Any references in the Guide or in the Forward Commitment regarding the Loan Agreement, Security Instrument or any other documents applicable to the Mortgage will mean the then current documents either located at [mf.freddiemac.com](http://mf.freddiemac.com) or in standard use by Freddie Mac at the time of Conversion. Any modifications to the Loan Documents attached to the Forward Commitment will be included in the Conversion Acceptance Letter (see 19A.13(d)) and, if applicable, updated to conform to the then current Freddie Mac Loan Documents. Any Subordination Agreement which has been modified and attached to the Forward Commitment, however, will not need to conform to the then current Freddie Mac Loan Documents at the time of Conversion, unless required by Freddie Mac.

**b. TAH Cash Conversion Underwriting Package and Conversion schedule (06/13/24)**

Once the Seller has completed all Conversion due diligence and analysis and all Conditions to Conversion have been satisfied, the Seller must prepare the TAH Cash Conversion Underwriting Package and submit it along with the proposed Conversion schedule to Freddie Mac no later than 60 days prior to the proposed date of the Conversion.

Freddie Mac uses the TAH Cash Conversion Underwriting Package to determine whether the Property has satisfied all Conditions to Conversion. Freddie Mac specifies the list of



documents that the Seller must include in the TAH Cash Conversion Underwriting Package in [Section 1.31 of Exhibit 1](#). Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

The TAH Cash Conversion Underwriting Package must be approved by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.

**c. Notification of release of Delivery Assurance Documents (06/13/24)**

If the Seller requests that the Delivery Assurance Documents be released at Conversion, then the Seller must send notification to Freddie Mac via email no later than 30 days prior to Conversion. The notification must contain the following information:

- The name, address, telephone number, facsimile number and email address of the Title Company to be used for originating the Mortgage
- A request for the cancellation and return of the Delivery Assurance Note, if applicable
- A request for the release of the Delivery Assurance Mortgage along with a draft of the termination or satisfaction of Delivery Assurance Mortgage enforceable in the Property's jurisdiction and supplied by Seller's counsel, if applicable

**d. Conversion Acceptance Letter (06/13/24)**

After Freddie Mac completes its underwriting, Freddie Mac will notify the Seller of its approval or rejection of the Conversion. Freddie Mac's approval or rejection is subject to Freddie Mac's determination that each of the Conditions to Conversion have been and remain satisfied or have been duly waived by Freddie Mac in its sole discretion. If Freddie Mac approves the Conversion, Freddie Mac will execute and deliver to the Seller a Conversion Acceptance Letter specifying the Actual Mortgage Amount (including any Additional Actual Mortgage Amount) and any other terms and conditions of Conversion or as required by the Commitment or Guide. Exhibits A – G of the Forward Commitment will also be amended and restated to conform to the then current Exhibits A – G of the Freddie Mac commitment form in standard use by Freddie Mac at the time of Conversion.

To the extent applicable, any reference to the Forward Commitment after execution of any amendments and the Conversion Acceptance Letter will be deemed to include such amendments and the Conversion Acceptance Letter.

After Freddie Mac has executed the Conversion Acceptance Letter, the Seller must accept it, countersign it, upload it to DMS and notify the TAH Underwriter of the expected Conversion date. On the Conversion date, the Seller must notify Freddie Mac that the Conversion has occurred by providing written confirmation of the Conversion Date via email and DMS.





## 19A.14 Overall responsibilities of parties at Conversion (04/18/24)

### a. Responsibilities of the Seller for Conversions of Funded Forward Commitments (08/18/22)

The Seller is responsible for the preparation and distribution of a Conversion escrow agreement that must satisfy the requirements of the construction lender's Master Forward Financing Agreement (in the case of a Funded Forward Commitment) and the Guide. The Seller is also responsible for the payoff of the Construction Loan.

### b. Freddie Mac's responsibilities (04/18/24)

Freddie Mac will coordinate with the Seller the delivery of the following collateral documents to the Title Company:

- Delivery Assurance Note marked paid and cancelled, if applicable
- Release of Delivery Assurance Mortgage, if applicable
- Any other escrow documents held by Freddie Mac

## 19A.15 Release of documents from escrow (08/18/22)

Freddie Mac will authorize the release of the documents delivered by Freddie Mac to the escrow agent upon

- The Seller's delivery to the escrow agent for recordation of the assignment of the Mortgage, assigning the Seller's interest to Freddie Mac,
- The escrow agent's confirmation that it has in its possession the lender's final policy of title insurance to be delivered to Freddie Mac with the Final Delivery Package, which title policy meets the requirements of the Guide and insures the first lien priority of the Mortgage, and
- The Seller's certification that the Seller has all of the items required by the Guide for final delivery of the Mortgage

## 19A.16 Final delivery; funding (08/18/22)

The provisions of Chapter 32 apply with respect to final delivery and funding.

## 19A.17 Late delivery; nondelivery (06/13/24)

### a. Late delivery (08/18/22)

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of a Mortgage:

- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date.



- The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

**b. Remedies for late delivery (08/18/22)**

The provisions of Section 27.26(b) apply.

**c. Nondelivery (04/13/23)**

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of a Mortgage:

- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date
- The Mortgage, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents
- After issuance of the Forward Commitment, there has been a material adverse change from what was disclosed to Freddie Mac in the full underwriting package in either of the following:
  - The financial position of the Borrower, any Key Borrower Principal or the Guarantor
  - The condition of the Property
- The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents

**d. Remedies for nondelivery (06/13/24)**

If Freddie Mac determines that there has been a nondelivery of a Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Taking any other action set forth in the Forward Commitment or in Chapter 4
- Charging the Seller a Breakage Fee (including any additional Breakage Fee as required by the Forward Commitment)
- Taking whatever action is necessary to collect the Delivery Assurance Fee

**e. Calculation of the Breakage Fee (08/18/22)**

As liquidated damages for the nondelivery of a Mortgage, Freddie Mac will charge the Seller a Breakage Fee, calculated in accordance with the formula set forth in the Forward Commitment.





### **19A.18 Assignment (08/18/22)**

Freddie Mac will have the right to assign or otherwise transfer the Forward Commitment, or any mandatory Purchase Contract resulting from the Forward Commitment, to any affiliate or subsidiary of Freddie Mac without the consent of the Seller/Service ("Freddie Mac Assignment"). After a Freddie Mac Assignment, all references to Freddie Mac in the Forward Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

# Multifamily Seller/Service Guide

## Chapter 20

### Originating a Mortgage under the Multifamily Supplemental Mortgage Product



- 20.1 [Overview \(04/15/21\)](#)
- 20.2 [Underwriting package requirements \(04/15/21\)](#)
- 20.3 [Mortgage requirements for supplemental Mortgages subsequent to existing First Mortgages \(06/16/22\)](#)
  - a. [Eligible Mortgages \[replaces Section 17.2\(b\)\] \(05/05/17\)](#)
  - b. [Reserved \(05/11/10\)](#)
  - c. [Term \[replaces Section 17.2\(c\)\] \(05/05/17\)](#)
  - d. [Reserved \(05/11/10\)](#)
  - e. [Reserved](#)
  - f. [Prepayment provisions \[replaces Section 17.2\(f\)\] \(06/16/22\)](#)
  - g. [Reserved](#)
  - h. [LTV Ratio \(04/07/09\)](#)
  - i. [Borrower recourse/third-party guaranties \[replaces Section 17.2\(l\)\] \(05/05/17\)](#)
  - j. [Servicing Spread \(05/05/17\)](#)
  - k. [Reserves \[replaces Section 17.2\(n\)\] \(05/05/17\)](#)
  - l. [Eligible Seller/Service \(NOTE: Additional requirement for this product\) \(06/27/19\)](#)
  - m. [Ineligible Mortgages \(NOTE: Additional requirement for this product\) \(05/05/17\)](#)
  - n. [Remaining term of the First Mortgage \(NOTE: Additional requirement for this product\) \(04/07/09\)](#)
  - o. [Loan seasoning of the First Mortgage \(NOTE: Additional requirement for this product\) \(09/01/16\)](#)
  - p. [Reserved](#)
  - q. [Property performance requirement \(NOTE: Additional requirement for this product\) \(04/07/09\)](#)
- 20.4 [Mortgage requirements for split Mortgages \(05/05/17\)](#)
  - a. [Principal amount \[replaces Section 17.2\(b\)\] \(05/05/17\)](#)
  - b. [Term \[replaces Section 17.2\(c\)\] \(05/05/17\)](#)
  - c. [Amortization \[replaces Section 17.2\(d\)\] \(05/05/17\)](#)
  - d. [Reserved](#)
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- 20.5 [Standard delivery—LST \(04/15/21\)](#)
- 20.6 [Standard delivery—full underwriting package \(04/15/21\)](#)
- 20.7 [Standard delivery—Letter of Commitment \(04/15/21\)](#)
- 20.8 [Standard delivery—final delivery \(04/15/21\)](#)
- 20.9 [Early rate-lock delivery option—preliminary underwriting package \(04/15/21\)](#)
- 20.10 [Early rate-lock delivery option—good faith deposit \(04/15/21\)](#)



- 20.11 [Early rate-lock delivery option—interest rate-lock; application fee \(04/15/21\)](#)
- 20.12 [Early rate-lock delivery option—full underwriting package \(11/30/11\)](#)
- 20.13 [Early rate-lock delivery option—acceptance or rejection of early rate-lock application \(04/15/21\)](#)
- 20.14 [Early rate-lock delivery option—release of good faith deposit \(06/29/17\)](#)
- 20.15 [Early rate-lock delivery option—final delivery \(04/15/21\)](#)



## 20.1 Overview (04/15/21)

The Multifamily Supplemental Mortgage Purchase Product is one of the products under the Multifamily Conventional Cash Mortgage Purchase Program.

### Note:

To originate a Mortgage under the Multifamily Supplemental Mortgage Product, refer to the Multifamily Conventional Cash Mortgage Purchase Program (Chapter 17) as well as to this chapter. Chapter 17 states the requirements for all products related to the Multifamily Conventional Cash Mortgage Purchase Program, and this chapter details only how the requirements of the Multifamily Supplemental Mortgage Product differ from those requirements.

All Mortgages submitted for purchase under the Multifamily Supplemental Mortgage Product must comply with the requirements of all other applicable chapters of the Guide including Chapters 8, 9 and 10 as well as with the requirements of this chapter.

Except as otherwise specified by this chapter, the provisions of Chapter 27 shall apply.

Checklists for each Multifamily Supplemental delivery package are available at [mf.freddiemac.com/lenders/uw](https://mf.freddiemac.com/lenders/uw).

Under the Multifamily Supplemental Mortgage Product, Freddie Mac will purchase an amortizing, fixed- or adjustable-rate supplemental Mortgage placed on a Property secured by an existing Freddie Mac First Mortgage (a “Freddie Mac First Mortgage”) or by a Mortgage that has been included in a Securitization (a “Securitized First Mortgage”) (both referred to as a “First Mortgage”), or originated simultaneously with the Freddie Mac First Mortgage.

Freddie Mac offers the following types of supplemental Mortgages:

- **Split Supplemental Mortgage** – a Supplemental Mortgage that was originated at the same time as a newly originated Freddie Mac First Mortgage
- **Seasoned Supplemental Mortgage** – a Supplemental Mortgage related to a First Mortgage, that was originated at least 12 months after the Origination Date of the First Mortgage or the last supplemental Mortgage
- **Acquisition Supplemental Mortgage** – a Supplemental Mortgage related to a First Mortgage that is being concurrently assumed by a new Borrower and that was originated at least 12 months after the Origination Date of the First Mortgage or the last supplemental Mortgage

For supplemental Mortgages, Freddie Mac offers both a standard delivery option and an early rate-lock delivery option.

Freddie Mac requires a property inspection for every supplemental Mortgage submission. After the supplemental Mortgage is in place, Freddie Mac requires only one annual risk assessment per Property. Therefore, if an annual risk assessment is required for the first Mortgage, the Seller will not be required to perform an additional risk assessment for the supplemental Mortgage.



## 20.2 Underwriting package requirements (04/15/21)

See the following for information regarding the content of underwriting packages:

- Section 20.5, Standard delivery – LST
- Section 20.6, Standard delivery – full underwriting package
- Section 20.9, Early rate-lock delivery option – preliminary underwriting package
- Section 20.12, Early rate-lock delivery option – full underwriting package

Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55, Documentation and Deliveries. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

For split Mortgages, the Seller/Servicer can incorporate the Freddie Mac First Mortgage and supplemental Mortgage requests in the same underwriting package.

## 20.3 Mortgage requirements for supplemental Mortgages subsequent to existing First Mortgages (06/16/22)

A request for a supplemental Mortgage subsequent to a First Mortgage must meet the requirements listed in Section 17.2, as modified by this section.

### a. Eligible Mortgages [replaces Section 17.2(b)] (05/05/17)

A supplemental Mortgage may be placed subsequent to certain Freddie Mac First Mortgages originated under the Conventional Cash Program and purchased by Freddie Mac in 1992 or later or certain Securitized First Mortgages if the existing First Mortgage, or prior supplemental Mortgage, if applicable,

- Has no existing monetary or nonmonetary defaults
- Has not been 30 Days Delinquent within the past 12 months
- Has not been 30 Days Delinquent more than twice or 60 Days Delinquent more than once during the mortgage term
- Is secured by a Property that is owned by the original Borrower, by a Freddie Mac-approved transferee (for a Freddie Mac First Mortgage), or is owned by a transferee approved by the Servicer of the First Mortgage, if it is a Securitized First Mortgage

The principal amount of the supplemental Mortgage may not be less than \$1 million.

### b. Reserved (05/11/10)



**c. Term [replaces Section 17.2(c)] (05/05/17)**

The term of the supplemental Mortgage may be between three and 30 years, as determined by Freddie Mac. The term of the supplemental Mortgage must be coterminous with the remaining term of the First Mortgage.

**d. Reserved (05/11/10)**

**e. Reserved**

**f. Prepayment provisions [replaces Section 17.2(f)] (06/16/22)**

Freddie Mac will establish the prepayment provisions for a supplemental Mortgage, including the Yield Maintenance Period and any applicable prepayment premium, prior to providing a pricing quote.

The Yield Maintenance Period for a supplemental Mortgage may exceed the remaining term of the Yield Maintenance Period of the First Mortgage.

**g. Reserved**

**h. LTV Ratio (04/07/09)**

The combined Loan-to-Value (LTV) Ratio is based on the combination of the outstanding First Mortgage amount, prior supplemental Mortgage amounts and the proposed supplemental Mortgage amount.

**i. Borrower recourse/third-party guaranties [replaces Section 17.2(l)] (05/05/17)**

The recourse provisions for the supplemental Mortgage generally will be the same as those for the First Mortgage.

**j. Servicing Spread (05/05/17)**

See Section 17.2(m) for the Servicing Spreads applicable to Supplemental Mortgages.

**k. Reserves [replaces Section 17.2(n)] (05/05/17)**

Supplemental Mortgages must meet the following Reserve requirements:

- Freddie Mac or the holder of the Securitized First Mortgage, as applicable, will require a real estate tax Reserve for the supplemental Mortgage if there is not already a real estate tax Reserve for the First Mortgage. See Section 39.2 for requirements for real estate tax Reserves.
- Property insurance Reserves, Replacement Reserves and any other Reserves must remain in place if they exist on the First Mortgage. See Section 39.2 for requirements for insurance Reserves and Section 39.3 for requirements for Replacement Reserves.



Freddie Mac, in its sole discretion, may require Reserves for the supplemental Mortgage even if such Reserves were not required for the First Mortgage.

**l. Eligible Seller/Servicers (NOTE: Additional requirement for this product) (06/27/19)**

An eligible Seller/Servicer must be a member of the Optigo Lender network in good standing that

- Services the Freddie Mac First Mortgage,
- Originated the Securitized First Mortgage, or
- Is simultaneously originating a new First Mortgage.

**m. Ineligible Mortgages (NOTE: Additional requirement for this product) (05/05/17)**

First Mortgages that are not eligible for a supplemental Mortgage include Mortgages that have rate reset provisions.

**n. Remaining term of the First Mortgage (NOTE: Additional requirement for this product) (04/07/09)**

On the Origination Date of the supplemental Mortgage, the remaining term of the First Mortgage must be at least three years.

**o. Loan seasoning of the First Mortgage (NOTE: Additional requirement for this product) (09/01/16)**

At least 12 months must have elapsed since the Origination Dates(s) of the First Mortgage and any prior supplemental Mortgage.

**p. Reserved**

**q. Property performance requirement (NOTE: Additional requirement for this product) (04/07/09)**

The Property must demonstrate sustained positive economic performance compared to the economic performance originally underwritten at the purchase of the First Mortgage.

**20.4 Mortgage requirements for split Mortgages (05/05/17)**

A split Mortgage must meet the requirements listed in Section 17.2, as modified by this section.

**a. Principal amount [replaces Section 17.2(b)] (05/05/17)**

The principal amount of the supplemental Mortgage may not be less than \$1 million.





**b. Term [replaces Section 17.2(c)] (05/05/17)**

The term of the supplemental Mortgage may be between three and 30 years, as determined by Freddie Mac. The term of the supplemental Mortgage must be coterminous with the remaining term of the First Mortgage.

**c. Amortization [replaces Section 17.2(d)] (05/05/17)**

The amortization period may not exceed 30 years. However, Freddie Mac, in its discretion, may set a shorter amortization period for the Mortgage.

**d. Reserved**

**e. Reserved**

**f. LTV Ratio [replaces Section 17.2(f)] (05/05/17)**

The combined Loan-to-Value (LTV) Ratio is based on the combination of the First Mortgage amount and the proposed supplemental Mortgage amount.

**20.5 Standard delivery—LST (04/15/21)**

The Seller may deliver an LST and supporting documents and a full underwriting package simultaneously. See Section 20.6 for full underwriting package delivery requirements.

The list of documents that Sellers must include in the underwriting package are specified in [Section 1.1 of Exhibit 1](#).

Chapter 55, Documentation and Deliveries, contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

**20.6 Standard delivery—full underwriting package (04/15/21)**

The Seller may deliver a full underwriting package to Freddie Mac with the delivery of the Loan Submission Template (LST) and supporting documents or after Freddie Mac issues a Quote.

The nonrefundable application fee as set forth in Section 27.6(a) will be deemed earned by Freddie Mac at the earlier of delivery of the full underwriting package or 30 days after the date the Borrower executes the Seller Application, and will be payable by Seller by wire transfer to Freddie Mac as set forth in Sections 27.6(b) and (d).

The list of documents that Sellers must include in the full underwriting package are specified in [Section 1.1 of Exhibit 1](#). Chapter 55, Documentation and Deliveries contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

For split Mortgages, Freddie Mac will accept or reject the applications for both the Freddie Mac First and supplemental Mortgages at the same time.



If Freddie Mac approves the application, Freddie Mac will issue a Letter of Commitment as described in Section 27.7.

## **20.7 Standard delivery—Letter of Commitment (04/15/21)**

For information about issuance of the Letter of Commitment and acceptance of the Letter of Commitment, see Section 27.7. For information about locking the interest rate, see Section 27.14. For split Mortgages, the Seller must accept the Letter of Commitment, lock the interest rate and return Exhibit A (Interest Rate Lock and Mortgage Terms Confirmation Sheet) to the Letter of Commitment for both the Freddie Mac First and supplemental Mortgages at the same time.

## **20.8 Standard delivery—final delivery (04/15/21)**

The process for final delivery of a split Mortgage or a supplemental Mortgage is the same as the final delivery under the Multifamily Conventional Cash Mortgage Purchase Program (see Chapter 32) except as noted in the Letter of Commitment.

For a supplemental Mortgage or both Mortgages of a split Mortgage, within the time specified in Exhibit A to the Letter of Commitment, the Seller must deliver to Freddie Mac all of the documents listed in the applicable Final Delivery Table of Contents provided at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase) and any additional documents listed in the Letter of Commitment. The Seller must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the Final Delivery Instructions, also found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase). For late delivery provisions, see Section 27.26. For nondelivery provisions, see Section 27.24.

## **20.9 Early rate-lock delivery option—preliminary underwriting package (04/15/21)**

The terms and conditions of the early rate-lock delivery option set forth in Chapter 27 apply to the early rate-lock delivery of a supplemental Mortgage or a split Mortgage except as modified by this chapter.

Freddie Mac specifies the list of documents that Sellers must include in the preliminary underwriting package for supplemental Mortgages under the Cash Mortgage Purchase program using the early rate-lock delivery option in Part A of [Section 1.1 of Exhibit 1](#).

Chapter 55, Documentation and Deliveries contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

## **20.10 Early rate-lock delivery option—good faith deposit (04/15/21)**

The requirements for the good faith deposit for all supplemental Mortgages are the same as the requirements for the Multifamily Conventional Cash Mortgage Purchase Program (see Section 27.10).

For split Mortgages, the Seller must collect and hold a separate good faith deposit for each proposed Mortgage.



### **20.11 Early rate-lock delivery option—interest rate-lock; application fee (04/15/21)**

The requirements for locking the interest rate for all supplemental Mortgages are the same as the requirements of the Multifamily Conventional Cash Mortgage Purchase Program (see Sections 27.6(c), 27.8, 27.14 and 27.16) with two exceptions:

- For a split Mortgage, the Seller must lock the interest rate for both Mortgages at the same time.
- Upon interest rate-lock for a supplemental Mortgage subsequent to a First Mortgage, a nonrefundable application fee in an amount equal to the greater of 0.1 percent of the proposed supplemental Mortgage amount or \$5,000 will be deemed earned by Freddie Mac. For a split Mortgage, a nonrefundable application fee in an amount equal to 0.1 percent of the combined Freddie Mac First and supplemental Mortgage amounts will be deemed earned by Freddie Mac.

### **20.12 Early rate-lock delivery option—full underwriting package (11/30/11)**

Within the timeframe specified in the application, the Seller must deliver a full underwriting package that is complete in all respects, including the Appraisal, to Freddie Mac.

Freddie Mac specifies the list of documents that Sellers must include in the full underwriting package for supplemental Mortgages under the Cash Mortgage Purchase program using the early rate-lock delivery option in Part B of [Section 1.1 of Exhibit 1](#).

For a complete description of Freddie Mac's requirements for each document, including a description of the required content and whether the document must be certified, see Chapter 55, Documentation and Deliveries. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

### **20.13 Early rate-lock delivery option—acceptance or rejection of early rate-lock application (04/15/21)**

The requirements and procedures for acceptance or rejection of an early rate-lock application are the same as the requirements and procedures under the Multifamily Conventional Cash Mortgage Purchase Program (see Sections 27.18 and 27.19).

For split Mortgages, Freddie Mac will accept or reject the early rate-lock applications for both the Freddie Mac First and supplemental Mortgages at the same time.

### **20.14 Early rate-lock delivery option—release of good faith deposit (06/29/17)**

The Seller/Servicer is not required to wait until the Freddie Mac Funding Date to release the good faith deposit. The Seller/Servicer may release the good faith deposit once the Seller/Servicer has uploaded the following information to DMS under the document type "GFD release evidence":

- Evidence that the Seller has closed the supplemental Mortgage and disbursed the proceeds to or for the account of the Borrower in accordance with the terms of the early rate-lock application and the Guide



- Copy of the executed Note
- Copy of the executed Settlement Statement

Notwithstanding the foregoing, the Seller may not release the good faith deposit if the Seller/Servicer has not submitted the Seller-executed Exhibit A (Interest Rate-Lock and Mortgage Terms Confirmation Sheet) to Freddie Mac.

Any release by the Seller of the good faith deposit pursuant to this Section will not waive or modify any obligation of the Seller to pay the Seller breakage fee that may become due.

### **20.15 Early rate-lock delivery option—final delivery (04/15/21)**

The process for final delivery of a split Mortgage or a supplemental Mortgage is the same as the final delivery under the Multifamily Conventional Cash Mortgage Purchase Program (see Chapter 32).

For a supplemental Mortgage or both Mortgages of a split Mortgage, within the time specified in Exhibit A to the early rate-lock application, the Seller must deliver to Freddie Mac all of the documents listed in the applicable Final Delivery Table of Contents found at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase) and any additional documents listed in the early rate-lock application. For late delivery provisions, see Section 27.16. For nondelivery provisions, see Section 27.24.

# Multifamily Seller/Servicer Guide

## Chapter 21

### Originating a Mortgage under the Multifamily Seniors Housing Project



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## 21.1 Overview (12/14/23)

Under the Multifamily Seniors Housing Product, Freddie Mac will purchase Mortgages that are secured by Seniors Housing Properties, including Independent Living Properties and Assisted Living Residences that may include an Alzheimer's component. Mortgages on Properties that provide a limited amount of skilled nursing care may also be eligible on a case-by-case basis. Seniors Housing Properties and the variety of resident care services offered at these Properties meet the targeted needs of a range of elderly residents, from services for active seniors to the daily care needs of the frail elderly. This chapter describes the unique requirements for the various Seniors Housing Property types.

Freddie Mac purchases Mortgages secured by Seniors Housing Properties using the requirements of this chapter and one of the following Freddie Mac Mortgage purchase programs or products:

- Multifamily Conventional Cash Mortgage Purchase Program, Chapter 17

### **Note:**

To originate a Mortgage under the Multifamily Seniors Housing Product, refer to the Multifamily Conventional Cash Mortgage Purchase Program (Chapter 17) as well as to this chapter. Chapter 17 states the requirements for all products related to the Multifamily Conventional Cash Mortgage Purchase Program, and this chapter details only how the requirements of the Multifamily Seniors Housing Product differ from those requirements.

Except as otherwise specified by this chapter, the provisions of Chapter 27 will apply.

- Multifamily Supplemental Mortgage Product, Chapter 20

Age-restricted seniors apartments are not included in the Freddie Mac Multifamily Seniors Housing Product. Seniors apartments are age-restricted multifamily communities that cater to senior residents who are able to function independently. These residences are typically restricted to residents 55 and older (or 62 and older). Seniors apartments do not provide healthcare services, medication assistance, meal services or other third-party contract services. Freddie Mac will purchase or provide credit enhancements for Mortgages secured by age-restricted seniors apartments directly under the requirements of the Multifamily Conventional Cash Mortgage Purchase Program and the Multifamily Supplemental Mortgage Product or the Multifamily Housing Bond Credit Enhancement Program.

Chapter 32 contains the requirements for final delivery of Mortgages to Freddie Mac and applies to each Seniors Housing Mortgage except as noted in this chapter.

All Mortgages submitted for purchase under the Seniors Housing Product must comply with the requirements of all other applicable chapters of the Guide, including Chapters 8, 9 and 10 as well as with the requirements of this chapter. Due to the nature of the resident care services necessary in a Seniors Housing Property:

- Origination of Seniors Housing loans for Freddie Mac is limited to Seller/Service providers that have received the Seniors Housing Seller/Service provider designation (see Section 3.1(c))
- Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its





underwriting criteria at the time of such request

## 21.2 Definitions (09/28/18)

### a. Activity of Daily Living (ADL) (09/08/04)

Activities of Daily Living are personal care services that provide the frail elderly with assistance in eating, dressing, bathing, incontinence care, transferring and other basic living activities. Transferring is the act of assisting a resident from one place to another, such as from a bed to a wheelchair.

These services are typically included in the lease; but, based on the resident's needs, the facility may charge an additional fee.

### b. Assisted Living Residence (05/11/10)

Assisted Living Residences are properties where at least 50 percent of the dwelling units must be for assisted living residents. They are designed to accommodate and provide 24-hour assistance for individuals with functional limitations. Most Assisted Living Residences offer private or semi-private rooms. The facility provides meals in a central location. Assisted Living Residences offer personnel and programs that assist residents with ADLs.

In addition to these services, some Assisted Living Residences provide specialized, secured environments and assistance to residents suffering from dementia or Alzheimer's disease and other cognitive impairment illnesses. Freddie Mac will purchase a Mortgage secured by an Assisted Living Residence that provides dementia care if less than 40 percent of the total units are dedicated to this type of care. Further, to assist with aging in place, some Assisted Living Residences provide limited skilled nursing care on a case-by-case basis or have dedicated space for limited skilled nursing care. Under certain circumstances, Freddie Mac will purchase a Mortgage secured by an Assisted Living Residence that provides limited skilled nursing care. See Section 21.3(b).

Most States require licensing of Assisted Living Residences.

### c. Continuing Care Retirement Community (05/11/10)

A Continuing Care Retirement Community (CCRC) is a seniors living complex designed to provide a continuum of care within a single community. The living accommodations and care provided within a CCRC are a combination of the accommodations and services provided by seniors apartments, Independent Living Properties [defined in Section 21.2(d)], Assisted Living Residences and Skilled Nursing Properties.

A CCRC is typically a campus of multiple buildings that are designed to provide the various types of housing and associated care. CCRC unit types range from cottages to high-rise apartments on a single campus with common areas that consist of administrative offices, commercial kitchen, common dining area, activity area and a healthcare center. CCRCs typically require monthly rent plus fees for optional services.

A CCRC facility frequently will require residents to pay an entrance fee in addition to monthly rental fees. Depending on the payment structure of a CCRC facility, an entrance fee may either be fully or partially refundable upon departure or death. In some cases, the facility may

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apply the entrance fee to the healthcare services needs of the resident. A Mortgage secured by a CCRC requiring an entry fee may be eligible for purchase on a case-by-case basis.

A State license or certification is required if the CCRC provides skilled nursing services and may be required if the CCRC includes Assisted Living Residences.

**d. Independent Living Property (05/11/10)**

Independent Living Properties are multi-unit housing residences that offer optional services designed to aid the residents' independence. Management offers these services to the residents on an optional basis. Services include meals, housekeeping, laundry, transportation and 24-hour staff presence and may include an on-call nurse or physician. To be considered an Independent Living Property, at least 50 percent of the dwelling units must be for independent living residents.

Individual living units include full kitchens and bathrooms, and apartments are decorated and furnished by the resident. Most Independent Living Properties include extensive common areas, commercial kitchen, central dining room and activity areas.

**e. Manager (09/08/04)**

A manager is any independent contractor, including any affiliate of the Borrower, that manages and supervises the daily use and operation of the Property.

**f. Medicaid funds (10/31/12)**

While most Seniors Housing Properties will be private-pay, payments from the Medicaid program may be available to assist residents with housing and service costs. Freddie Mac may purchase Mortgages secured by Properties with a limited number of residents who participate in the Medicaid program. To be eligible for purchase, generally not more than 25 percent of the residents at the Property may participate in the Medicaid program (or Medicare or other subsidy, in the aggregate) and not more than 25 percent of the Property's gross income may be derived from Medicaid payments (or Medicare or other subsidy, in the aggregate). The Seller must complete an analysis of whether a Reserve should be required to cover the transition from residents receiving Medicare (or Medicaid or other subsidies) to private pay residents ("transition Reserve") when there is a significant level of Medicaid (or Medicare or other subsidy) income. Freddie Mac will use this analysis to determine whether a transition Reserve will be required. Please contact your Freddie Mac representative when reviewing any Property with tenants who participate in the Medicaid (or Medicare or other subsidy) program.

**g. Operating Leases and Operators (05/11/10)**

Operating Leases are frequently encountered in the Seniors Housing industry. Often they are long-term, triple-net leases with annual rent escalator clauses and sometimes purchase options. Operators (Lessees) under Operating Leases may be affiliated with the Borrower (Lessor) or may be an unrelated third-party Operator. A third-party Operator is expected to be a proven owner or manager of Seniors Housing Properties with the experience levels expected of Freddie Mac Borrowers. Leases must expire, or have lease extension options, beyond the term of the Freddie Mac Mortgage and must be subordinate to Freddie Mac's security interest. Sellers should analyze the lease income as it relates to the Property's



income and to the debt service of the Freddie Mac Mortgage. Normally, management fees must still be included in the underwriting proformas when there is an operating lease in place. Please contact your Freddie Mac representative when reviewing any Property with an Operating Lease.

**h. Skilled Nursing Property (05/11/10)**

Skilled Nursing Properties provide licensed skilled nursing care and related services for patients who require medical, nursing or rehabilitative services. These residences offer private and semi-private rooms. Units are typically small (100 to 250 square feet), with limited furnishings that may be provided by the facility. The units are equipped with patient-monitoring devices and emergency-call systems.

Skilled Nursing Properties are regulated and licensed by the States. See Section 21.3(b) for purchase eligibility requirements.

**i. Seniors Housing Liability Assessment (09/28/18)**

A Seniors Housing Liability Assessment is an assessment for a Seniors Housing Mortgage that will be originated on a Property that includes assisted living, Alzheimer's care or skilled nursing units.

The Seller/Servicer must provide a Seniors Housing Liability Assessment for each operator to evaluate its risk management practices with respect to employees, residents and incident reporting. The Liability Assessment must be delivered in the full underwriting package and include the elements set forth in Section 55.2.

Seller/Servicers must ensure that the Seniors Housing Liability Assessment is performed by a professional that meets, at a minimum, the following requirements:

1. Five years of experience in geriatrics/long-term-care clinical practice(s)
2. Five years as a Licensed Administrator, Licensed Practical Nurse (LPN) Registered Nurse (RN), or Physician Extender (PA, RNP)
3. References, which address the following:
  - Scope of work
  - Quality of recommendations given
  - Quality of resources provided
  - Timeliness of work product
4. Sample work product, to include the following:
  - Copy of typical assessment report
  - Sample recommendations based on industry exposures



- Sample resources provided to clients to assist in reducing risk to claims
- Training programs offered
- Monitoring programs offered

Active association with professional organizations is highly desirable.

Seller/Servicers must document the suitability of the professional performing the Seniors Housing Liability Assessment with positive references and sample work product and provide evidence of such documentation as part of the Seniors Housing Liability Assessment.

**j. Stand-Alone Memory Care Property (12/14/23)**

Stand-Alone Memory Care Properties are Properties where 100% of the dwelling units are dedicated to accommodating and providing 24-hour protective oversight, including a combination of housing, personalized supportive and health care services, all within a secure area for residents, for individuals with Alzheimer's disease or another form of progressive-degenerative dementia.

All States require licensing of Memory Care Properties and most often the licensing is separate from AL licensure.

**21.3 Mortgage eligibility and credit underwriting requirements (12/14/23)**

Many Seniors Housing Properties provide a variety of services and have various activities to meet the needs and desires of elderly residents. Many Properties provide a mixture of independent living, assisted living care and, in some cases, provide some skilled nursing care. This mixture of services accommodates aging-in-place as frailty levels change. The Freddie Mac Multifamily Seniors Housing Product has different requirements for different property types. Freddie Mac will determine, in its sole discretion, which requirements are applicable for Properties that provide a mixture of resident services and activities.

**a. Eligible Properties (12/14/23)**

Only Independent Living, Assisted Living Residences, Stand-Alone Memory Care, or Properties providing a variety of resident care services as defined in Section 21.2 are eligible.

**b. Ineligible Properties (05/11/10)**

If a Mortgage is secured by a Property with either of the following conditions, the Mortgage is not eligible for purchase by Freddie Mac:

- A Property in which more than 20 percent of the net operating income is derived from the provision of skilled nursing care, acute medical care or rehabilitative care services, or
- A Property that has a skilled nursing component that does not allocate a minimum of 15 percent of the total number of skilled nursing units for the assisted living or independent



living residents of the Property (i.e., individuals who were residents of the Property prior to entering the skilled nursing facility).

**c. Eligible Borrower (04/13/23)**

A Seniors Housing Borrower or Key Borrower Principal must demonstrate eligibility by meeting all of the following criteria:

- Own or manage comparable facilities in a similar property type (Independent Living Property, Assisted Living Residence, Skilled Nursing Property or CCRC) in similar or adjoining markets
- Have ten or more years' ownership or management experience
- Own or manage a minimum of five properties with at least 500 units

**d. Habitability (09/08/04)**

The Property must meet the requirements of Section 8.2(a) and be designed for the type of seniors care provided, including adequate and appropriate space for congregate and resident care services. The Property must provide adequate security to monitor residents based on their frailty level or care needs. The Property must meet or exceed local building and safety codes and have sprinkler systems.

**e. Licenses and certificates (04/14/22)**

Any and all licenses, certificates and permits required for operation of the Property must be current and in full force and effect. The Seller must provide copies of these licenses, certificates and permits to Freddie Mac as part of the applicable underwriting package (see Section 21.5 and Chapter 55).

If any license is in the name of anyone other than the Borrower, that arrangement must be satisfactory to Freddie Mac in its discretion. The determination of whether such arrangement is acceptable will be made by Freddie Mac in its discretion upon receipt and review of the full underwriting package.

For each party other than the Borrower that holds any license, the Borrower must provide the Certificate of [Operator][Property Manager] – Seniors Housing.

Prior to Mortgage purchase, all pending violations affecting the issuance, validity or continuation of a license, certificate or permit must be corrected or Freddie Mac must approve all plans for correcting such violations and any pending investigation by any governmental or regulatory authority must be resolved to the satisfaction of Freddie Mac.

**f. Occupancy requirements (12/15/20)**

A Seniors Housing Property must have demonstrated a stabilized occupancy for the trailing three-month average prior to underwriting and must have been occupied for at least 12 months. A Property is considered occupied if a certificate of occupancy has been issued and tenants have begun to move in.



Stabilized occupancy is defined as occupancy of at least 85 percent of the living units (or such higher level as may be necessary to cover debt service and pay all other expenses at the level required by the applicable purchase program or product) at a rent level that supports the Freddie Mac Underwriting Value of the Property.

Freddie Mac will establish the occupancy level based on the number of occupied units or, in the case of Properties with semi-private units, the number of resident leases (beds). If a Property has 12 months or more operating history and is an Assisted Living Residence with some semi-private units or a Property with some skilled nursing beds, Freddie Mac will underwrite the Property's occupancy based on a maximum unit-to-bed ratio of 120 percent of the total number of units.

**g. Subordinate Financing (04/07/09)**

In general, Freddie Mac will not purchase a Seniors Housing Mortgage with Subordinate Financing other than a supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product.

**h. Furniture, fixtures, and equipment (04/14/22)**

1. The Seller must identify, as part of the applicable underwriting package (see Section 21.5 and Chapter 55), any and all furniture, fixtures, equipment, and motor vehicles located on or used in connection with the Property ("FF&E") that is owned or leased by a party other than the Borrower. If all FF&E is owned by the Borrower, the Seller must provide the Borrower's certification to that effect.
2. If any FF&E is owned by a party other than the Borrower, such ownership must be acceptable to Freddie Mac in its discretion. The determination of whether such ownership is acceptable, and whether a security interest is required, will be made by Freddie Mac in its discretion at full underwriting.
3. For any FF&E not owned by the Borrower for which Freddie Mac requires a security interest, the owner of the FF&E must enter into a Security Agreement satisfactory in form and substance to Freddie Mac that grants the lender a security interest in such FF&E as additional security for the Mortgage. The proposed Security Agreement must be provided to Freddie Mac at least 10 days prior to origination of the Mortgage for its review and approval. All necessary financing statements must be filed and all other necessary steps must be taken to perfect the security interest in the FF&E not owned by the Borrower. The security interest and the documents creating it must be assigned to Freddie Mac.
4. All necessary financing statements must be filed and all other necessary steps must be taken to perfect the security interest in the FF&E owned by the Borrower. The security interest and the documents creating it must be assigned to Freddie Mac.

**i. Service contracts (04/14/22)**

1. The Seller must identify, as part of the applicable underwriting package [see Section 21.5 and Chapter 55], all contracts (i) for preparing and serving food (not including food supply contracts), (ii) for medical services or healthcare provider agreements, regardless of annual consideration or term, or (iii) the average annual consideration of which, directly or





indirectly, is at least \$50,000. If there are no contracts that fall into the foregoing categories, the Seller must provide the Borrower's certification to that effect.

- If any contract in the foregoing categories is in the name of anyone other than the Borrower, that arrangement must be satisfactory to Freddie Mac, and the determination of whether such arrangement is acceptable will be made by Freddie Mac in its discretion at full underwriting.
  - Any contract in the foregoing categories must be terminable by the Borrower (or by the manager, if the manager has contracted for the services) or its assignee, upon not more than 30 days' notice to the manager or service provider and without the necessity of establishing cause for termination or the payment of a penalty or fee.
2. Any contracts which Freddie Mac determines are material must be assigned to the lender via the Collateral Assignment of Service Contracts – Seniors Housing before final delivery, and such assignment must be consented to by the provider.

**j. Operating leases and Operators (04/14/22)**

1. The Seller must provide, as part of the applicable underwriting package [see Section 21.5 and Chapter 55], copies of all operating leases at the Property that will be in place on the Origination Date, and a completed [Operating Lease Analysis](#) for each operating lease.
2. The Loan Documents to which the Operator is a party must be modified to include any suboperator. Such modifications must be submitted to Freddie Mac for review and approval, in its sole discretion, no later than 10 Business Days prior to the Origination Date.
3. The Borrower must grant the lender a lien on all leases, rents and income from the Property including rents paid under the operating lease and the tenant leases, and rents generated by residential subleases of the Property. The operating lease must be subordinate to the Mortgage. Any option to purchase granted under the operating lease (provided any such option to purchase is approved by Freddie Mac in its sole discretion) must be subordinate to the Mortgage, so that the lender has and will retain a first and prior lien on all leases, rents and income during the term of the Mortgage.
4. The title insurance policy insuring lender's lien must insure that the operating lease and any options to purchase are subordinate to the lien of the Mortgage.
5. UCC searches must be submitted for each Operator and must include every office where a financing statement would be filed to perfect a security interest in any of the collateral described in the Financing Statement Exhibit B – Seniors Housing. Each search must include the jurisdiction of Operator's state of organization. The UCC searches must be dated no earlier than 30 days prior to the Origination Date of the Mortgage. If any financing statements have been recorded, such statements must be acceptable to Freddie Mac or be terminated prior to the origination date of the Mortgage. If any collateral described in Financing Statement Exhibit B – Seniors Housing is not owned by the Operator, UCC searches must be submitted for the owner of that collateral.





6. Freddie Mac further reserves the right to require the Borrower, Operator, and/or Property Manager to execute separate estoppel certificates, amendments and modifications to the standard Freddie Mac form loan documents, and such other additional documentation as determined by Freddie Mac in order to ensure that the lender receives a fully perfected first priority lien and security interest in all collateral related to the Property and in any contracts necessary to operate the Property.
7. UCC Financing Statements for the Operator are required and must be provided to Freddie Mac for its review and approval at least 10 days prior to origination of the Mortgage.
8. If the Operator or any property manager of the Property has entered into a commercial lease affecting the Property, such commercial lease must comply with Section 8.11.
9. If the Operator has any licenses, certificates, permits or other approvals or authorizations necessary to use and operate the Property for its Intended Use, an opinion from the Operator's counsel that such licenses, certificates, permits or other approvals or authorizations are in full force and effect must be provided.
10. If any collateral described in Financing Statement Exhibit B – Seniors Housing is not owned by the Operator, UCC searches must be submitted for the owner of that collateral.
11. The Seller's counsel must present for consideration by Freddie Mac all proposed loan document modifications at one time and in compliance with the requirements of the Guide. Proposed modifications originating from the Borrower and from the Operator or Property Manager must not be presented separately.

## 21.4 Fixed-rate Mortgage requirements (05/05/17)

A fixed-rate Mortgage submitted under the Seniors Housing Mortgage Product must meet the requirements of Section 17.2, unless specifically noted in this section. A fixed-rate Mortgage may be amortizing or may have an interest-only feature. For interest-only Mortgages, all other requirements of an amortizing Mortgage will apply unless specifically noted in this section.

### a. Eligible Mortgages; principal amount [replaces Section 17.2(b)] (05/05/17)

A Mortgage for the purpose of refinancing or acquiring the Property is eligible. The principal amount may not be less than \$3 million.

### b. Term [replaces Section 17.2(c)] (05/05/17)

The minimum term for an amortizing Mortgage is 5 years.

### c. Amortization [replaces Section 17.2(d)] (05/05/17)

The maximum amortization period is 30 years. Loans with a term of 20 years or more must be fully amortizing.



d. **Reserved**

e. **Reserved**

f. **Sales or transfers of Property or beneficial interests in the Borrower [replaces Section 17.2(j)] (05/05/17)**

A Mortgage secured by a Seniors Housing Property will not permit the transfer, sale, conveyance or assignment of the Property or beneficial interests in the Borrower. Any such Mortgage will be due upon such a transfer.

g. **Vacancy/collection loss [replaces Section 17.2(k)] (05/05/17)**

Freddie Mac will calculate the vacancy and collection loss rate on the maximum number of units, or beds for Properties with semi-private units [see Section 21.3(f)].

The vacancy and collection loss rate used in underwriting Seniors Housing Properties may not be less than five percent.

h. **Servicing Spread (05/05/17)**

See Section 17.2(m).

## **21.5 Underwriting package requirements (04/15/21)**

See the following for information regarding the content of underwriting packages:

- Section 21.8, Standard delivery – LST
- Section 21.9, Standard delivery – full underwriting package
- Section 21.12, Early rate lock delivery option – preliminary underwriting package
- Section 21.14, Early rate lock delivery option – full underwriting package

Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

## **21.6 Standard delivery (04/15/21)**

Standard delivery is the preferred delivery process for Seniors Housing transactions because these transactions require additional documentation and information pertaining to regulatory or other operational history. Unless otherwise stated in this chapter, all requirements of Chapter 27 pertaining to the standard delivery option apply.



### **21.7 Early rate lock delivery option (04/15/21)**

The early rate lock delivery option is available for Seniors Housing Mortgages. Unless otherwise stated in this chapter, the provisions of Chapter 27 pertaining to the early rate lock delivery option apply.

### **21.8 Standard delivery—LST (04/15/21)**

Sellers wishing to take advantage of Freddie Mac's standard delivery begin the process with the submission of Freddie Mac's LST and supporting documents.

### **21.9 Standard delivery—full underwriting package (04/15/21)**

After Freddie Mac issues a preliminary Quote, the Seller may deliver a full underwriting package to Freddie Mac.

The nonrefundable application fee as set forth in Section 27.6(a) will be deemed earned by Freddie Mac at the earlier of delivery of the full underwriting package or 30 days after the date the Borrower executes the Seller Application, and will be payable by Seller by wire transfer to Freddie Mac as set forth in Sections 27.6(b) and 27.6(d).

Freddie Mac specifies the list of documents that Sellers must include in the full underwriting package sent to Freddie Mac in [Section 1.1 of Exhibit 1](#).

Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

### **21.10 Standard delivery—final delivery (04/15/21)**

Within the time specified in Exhibit A to the Letter of Commitment, the Seller must deliver to Freddie Mac all of the documents listed in the applicable Final Delivery Table of Contents provided at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase). The Seller must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the Final Delivery Instructions, also found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase). For late delivery or nondelivery provisions, see Sections 27.24 and 27.26.

### **21.11 Standard delivery—funding (05/01/14)**

After final delivery of a Mortgage, other than Multifamily Housing Bond Credit Enhancement transactions (see Section 21.15), Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Section 32.1(c) for provisions relating to funding.

### **21.12 Early rate lock delivery option—preliminary underwriting package (10/14/16)**

Freddie Mac specifies the list of documents that Sellers must include in the preliminary underwriting package sent to Freddie Mac in [Section 1.1 of Exhibit 1](#).



Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

### **21.13 Reserved**

### **21.14 Early rate lock delivery option—full underwriting package (10/14/16)**

Within the time period specified in the application, the Seller must deliver a full underwriting package to Freddie Mac.

Freddie Mac specifies the list of documents that Sellers must include in the full underwriting package sent to Freddie Mac in [Section 1.1 of Exhibit 1](#).

The full underwriting package must include any document included in the preliminary underwriting package for which there is a material change. For a complete description of Freddie Mac's requirements for each document, including a description of the required content and whether the document must be certified, see Chapter 55, Documentation and Deliveries. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

### **21.15 Multifamily Housing Bond Credit Enhancement for Seniors Housing (05/05/17)**

Seniors Housing Properties financed with the proceeds from multifamily housing bonds must meet the requirements of Chapter 28 and the following requirements of this chapter:

1. Mortgage eligibility and credit underwriting (see Section 21.3)
2. General underwriting requirements (see Section 21.4)
3. Appraiser and Appraisal requirements (see Section 21.16)
4. Insurance requirements (see Section 21.17)
5. Application fee (the greater of \$5,000 or 0.15 percent of the proposed Mortgage amount)
6. Final delivery requirements (see Section 21.18)
7. General Servicing requirements (see Section 21.19)
8. Risk assessments (see Section 21.20)

### **21.16 Appraiser and Appraisal requirements (10/31/12)**

Unless otherwise stated in this section, each Seniors Housing Mortgage must meet the requirements of Chapter 60.

In addition, the appraiser and Appraisal for Properties financed through Freddie Mac's Seniors Housing Product must meet the requirements in the remainder of this section.



**a. Appraiser qualifications (12/07/04)**

In addition to the requirements of Section 60.4, each appraiser performing Appraisals of Seniors Housing Properties must be experienced in, and actively and regularly engaged in, appraising Seniors Housing and healthcare properties with complexity and characteristics similar to those of the Property. The appraiser must also be knowledgeable about current real estate market conditions and financing trends for all of the types of Seniors Housing Properties defined in Section 21.2 and be knowledgeable about such market conditions and trends in the geographic market area where the Property is located.

**b. Information provided to appraiser by Seller/Service (05/11/10)**

In addition to the requirements set forth in Section 60.6, the Seller/Service must provide the appraiser with information related to the tenancy and occupancy history of the Seniors Housing Property, including, but not limited to:

1. Actual and average number of tenants at the Property for the preceding three years
2. Typical fee for double occupancy units and second residents
3. Number of units that the Borrower makes available for occupancy on a semi-private basis
4. Feasibility study, if available, conducted for the Borrower for Properties with less than 18 months operating history

**c. Sales and rental competition (12/07/04)**

Because there may be a limited number of comparable Seniors Housing Properties in the Property's market area, the appraiser may use sales and rental comparables for similar properties located in markets similar to that of the Property. All other requirements of Section 60.16 apply.

**d. Management/property operations (12/07/04)**

The appraiser must provide a narrative description of the management firm and management practices. The appraiser must include available documentation related to policies, procedures, staffing and training.

**e. Capital needs over the term of the Mortgage (Replacement Reserves) for Seniors Housing (10/31/12)**

The consultant must identify repairs and replacements that must be performed prior to, or in connection with, the purchase of the Mortgage. The consultant must also provide an assessment of the Property that:

- Projects the need for replacements and repairs for the term of the Mortgage
- Determines a range for the per unit/per year Replacement Reserves based on level of service, the Property condition, the building materials, quality of equipment and the



complexity of the building components based on the following categories:

- Age Restricted:
  - Excellent condition, well maintained with proactive maintenance - Minimal Reserves (\$150-\$250/per unit/per year)
  - Adequate condition requiring typical repairs/replacements during the term of the Mortgage – Average Reserves (\$250-\$350/per unit/per year)
  - Fair condition requiring substantial replacement/repairs during the term of the Mortgage – Major Reserves (\$350-\$450/per unit/per year)
- Independent living – Average Reserves (\$200-\$300/per unit/per year)\*
- Assisted living – (\$250-\$350/per unit/per year)\*
- Skilled nursing – (\$300-\$400/per unit/per year)\*

\* (Assumes adequate to excellent condition)

Freddie Mac will review the consultant's assessment and determine the actual Replacement Reserve amount.

### **21.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (01/01/13)**

If the Property has assisted living, Alzheimer's care, and/or skilled nursing units, the Borrower must obtain professional liability insurance meeting the requirements of Section 31.17.

### **21.18 Final delivery requirements (05/01/14)**

The Final Delivery Package must meet the requirements of Chapter 32, and the applicable Final Delivery Table of Contents and the Final Delivery Instructions, found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase).

### **21.19 General Servicing policy for Seniors Housing Mortgages (04/15/21)**

Unless otherwise stated, the Servicing of each Seniors Housing Mortgage must meet the requirements of Chapters 36 through 43.

#### **a. Property performance reporting frequency (04/15/21)**

Unless otherwise specified in the Loan Documents, the Servicer must perform periodic assessments of each Seniors Housing Mortgage in accordance with the provisions of Chapter 40.

If Freddie Mac requires the Servicer to collect and review the Property's income and expense statements more frequently than annually, the Servicer must provide copies of the interim



statements and its review of the statements to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*.

The Servicer must review and analyze the statements to determine that there have been no material changes to the property cash flow since the previous reporting period or since loan origination. The Servicer must retain this information in the Mortgage File. The Servicer must report to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* within 30 days after receipt of the property financials any material findings that, in the Servicer's opinion, will likely impact the performance of the Property or payment on a timely basis.

**b. Additional reporting requirements for Seniors Housing Mortgages (04/30/19)**

In addition to the requirements for periodic assessments required by Chapter 40, the Servicer must perform the following additional reporting for Seniors Housing Mortgages, as applicable:

**1. Regulatory performance information**

The Servicer must obtain a copy of any license or certificate no later than 30 days after its renewal and immediately forward it to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*.

The Servicer must forward to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* within 10 days of receipt any notice from any government regulatory agency, licensing agency, or certifying agency received from the Borrower or such agency that any license is being downgraded to a substandard category, revoked or suspended, or that any violations, fines, findings, investigations or corrective actions concerning any license are pending or are being considered. If, in the Servicer's opinion, the information represents a material finding that will likely impact the Property's future performance or result in fines, the Servicer must immediately contact the director of Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*. At least quarterly, the Servicer must specifically inquire of the Borrower and the Management about the existence of any regulatory performance issues.

**2. Public health and safety notices**

The Servicer must forward to Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* within 10 days of receipt any report of health or safety code violations, food service violations or any other notice or statement of deficiencies received from the Borrower, the Management or any regulatory agency, licensing agency or other agency along with the Servicer's evaluation of the impact on the Property and a plan of correction.

At least quarterly, the Servicer must specifically inquire of the Borrower or Management about the existence of any such issues.

**3. Changes to the Property**

In addition to complying with the requirements of Section 43.12, the Servicer must monitor the Property and notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* immediately if the Servicer becomes aware that the

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Borrower intends to alter or has altered the nature of the resident care provided at the Property, intends to change or has changed the number of units dedicated to a specific type of resident care from the number identified in the Loan Documents or intends to change or has changed the types of subsidies received.

4. New service contracts, licenses, permits and certificates

If the Servicer becomes aware that the Borrower or Manager has entered into a new service contract or has received a new license, permit or certificate necessary for the operation of the Property, the Servicer must obtain from the Borrower or Manager, as applicable, an assignment of the service contract, license, permit or certificate in a form acceptable to Freddie Mac. In the case of a service contract, the provider of the services must consent to the assignment.

# Multifamily Seller/Servicer Guide

## Chapter 22

### Originating a Mortgage under the Multifamily Manufactured Housing Community Project



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## 22.1 Overview (12/14/23)

### a. The Multifamily Manufactured Housing Community Product (12/14/23)

Under the Multifamily Manufactured Housing Community Product (MHC), Freddie Mac purchases Mortgages secured by Manufactured Housing Communities from Optigo Lenders using the requirements of this chapter and one of the following Freddie Mac Mortgage purchase programs or products:

- Multifamily Conventional Cash Mortgage Purchase Program, Chapter 17
- Multifamily Supplemental Mortgage Product, Chapter 20

Chapter 32 contains the requirements for final delivery of Mortgages to Freddie Mac and applies to each MHC Mortgage, except as noted in this chapter.

Except as otherwise specified by this chapter, the provisions of Chapter 27 shall apply.

All Mortgages submitted for purchase under the MHC Product must comply with the requirements of all other applicable chapters of the Guide, including Chapters 8, 9, 10, 40, 55, 60, 61, 62 and 64.

Freddie Mac will consider purchasing Mortgages secured by Manufactured Housing Resident-Owned Communities (MHROCs), subject to the applicable requirements set forth in this Chapter 22, and certain additional requirements as determined by Freddie Mac. For additional information, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

MHC Mortgages with MHC Tenant Protections, including all MHC Mortgages quoted on or after September 1, 2021 (unless MHROC, government-owned, or non-profit owned), are required to incorporate all MHC Tenant Protections in written agreements with Applicable MHC Residents. For more information refer to Sections 22.2(p), 40.16 and 55.2.

Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

### b. Definitions (04/14/22)

As used in this chapter, these terms are defined as follows:

#### 1. Applicable MHC Resident(s)

- MH Home Owners; and
- If the Mortgage has a Loan Agreement with a “Rider to Multifamily Loan and Security Agreement – Manufactured Housing Community – MHC Tenant Protections” having a revision date on or after 4/25/2022, all other renters of a Manufactured Home in the MHC

For purposes of clarification, the following are not “Applicable MHC Residents”: (1) owners of a recreational vehicle (including a park model home) located in the MHC, (2)

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renters in a building located in the MHC, and (3) renters of a recreational vehicle (including a park model home) located in the MHC.

**2. Manufactured Home**

A manufactured home that is located in a Manufactured Housing Community.

**3. Borrower-Owned Home**

A Manufactured Home that is owned by the Borrower and not by residents of the Manufactured Housing Community, Affiliates of the Borrower or other third parties.

**4. Down Home Site**

A Home Site that cannot be made ready for the installation of a Manufactured Home with routine maintenance and repairs.

**5. Home Site**

A rental site or lot contained within a Manufactured Housing Community where a Manufactured Home is permitted to be located and/or installed. A Home Site, also referred to as a “pad site,” will frequently include a concrete or other stable surface upon which a Manufactured Home may be placed, with hook-ups for connection to utilities available in the Manufactured Housing Community.

**6. Manufactured Housing Community (MHC)**

A residential real estate development that includes Home Sites for Manufactured Homes, related amenities, recreational facilities, utility services, landscaping, roads and other infrastructure, and Borrower-Owned Homes.

**7. Manufactured Housing Resident-Owned Community (MHROC)**

An MHC that is owned by a cooperative housing association or corporation. Each owner of a Manufactured Home owns stock in the cooperative entitling such owner to occupy a specific Home Site, subject to a proprietary lease between the owner of the Manufactured Home and the cooperative. Home Sites occupied by renters, who do not own shares in the cooperative, are subject to standard rental leases with the cooperative. Mortgages on MHROCs are eligible for purchase subject to the requirements set forth in Section 9.5.

**8. MH Home Owner**

A residential tenant of the Property who:

- Owns a Manufactured Home located on the Property; and
- Is not the Borrower, any Affiliate of the Borrower or any third-party investor that rents Manufactured Homes to tenants

**9. MHC Mortgage**

A Mortgage that is secured by a Manufactured Housing Community.



## 10. MHC Tenant Protections

a. **For any Mortgages that have a Loan Agreement with a “Rider to Multifamily Loan and Security Agreement – Manufactured Housing Community – MHC Tenant Protections” having a revision date *before* 4/25/2022**, MHC Tenant Protections include the following minimum protections:

1. MH Home Owner is entitled to a one-year renewable lease term unless there is good cause for non-renewal.
2. MH Home Owner must receive at least 30-days’ prior written notice of any increase in rent.
3. MH Home Owner is entitled to a 5-day grace period for the failure to timely pay rent and has the right to cure any default in the payment of rent.
4. MH Home Owner is entitled to sell its Manufactured Home to a buyer that qualifies as a new tenant in the MHC, without having to first relocate such Manufactured Home outside of the MHC.
5. MH Home Owner has the right to sell the Manufactured Home in place within 30 days after eviction by the MHC owner.
6. MH Home Owner has the right to sublease or assign its Home Site lease for the unexpired term, to the new buyer of the MH Home Owner’s manufactured home without any unreasonable restraint, as long as the prospective buyer or sublessee qualifies as a new tenant within the MHC.
7. MH Home Owner has the right to post “For Sale” signs that advertise the sale of its Manufactured Home, provided that such signs comply with the MHC rules and regulations.
8. MH Home Owner has the right to receive at least 60 days’ notice of any planned sale or closure of the MHC.

If any of the foregoing requirements violate applicable law then such requirement(s) will be deemed automatically void and of no force or effect. The invalidity or unenforceability of such requirement(s) will not affect the validity or enforceability of any other provision of the written agreements containing the MHC Tenant Protections and all other provisions of any such agreement will remain in full force and effect.

b. **For any Mortgages that have a Loan Agreement with a “Rider to Multifamily Loan and Security Agreement – Manufactured Housing Community – MHC Tenant Protections” having a revision date *on or after* 4/25/2022**, MHC Tenant Protections include the following minimum protections:

1. MH Home Owner is entitled to a one-year renewable lease term unless there is good cause for non-renewal. “Good cause” includes: (1) violations of law by MH Home Owner, (2) an existing default in the payment of rent by MH Home



Owner at the time of lease renewal (subject to any applicable grace period and cure rights), and (3) serious or repeated violations of the material terms and conditions of its lease by MH Home Owner.

2. Applicable MHC Resident must receive at least 30-days' prior written notice of any increase in rent.
3. Applicable MHC Resident is entitled to a 5-day grace period for the failure to timely pay rent and has the right to cure any default in the payment of rent within the cure period set forth in its lease, if any. If no cure period for a default in the payment of rent exists in its lease, then Applicable MHC Resident has the right to cure any default in the payment of rent within 10 days after the expiration of the 5-day grace period described above.
4. MH Home Owner is entitled to sell its Manufactured Home to a buyer that qualifies as a new tenant in the MHC, without having to first relocate such Manufactured Home outside of the MHC.
5. MH Home Owner has the right to sell the Manufactured Home in place within 30 days after eviction by the MHC owner, subject to the MHC owner's right to prevent a dangerous condition or any threat or risk of bodily harm to tenants or visitors of the MHC, and provided, further, that, nothing in this section prohibits MHC owner from exercising any other right or remedy available against MH Home Owner under law.
6. MH Home Owner has the right to (a) sublease, and (b) assign the pad site lease for the unexpired term, to the new buyer or sublessee of the MH Home Owner's manufactured home without any unreasonable restraint, so long as the new buyer or sublessee, as applicable, qualifies as a new tenant within the MHC (including satisfying MHC owner's applicable credit and background checks and any requirements in the MHC's rules and regulations).
7. MH Home Owner has the right to post "For Sale" signs that advertise the sale of its Manufactured Home, provided that such signs comply with the MHC rules and regulations.
8. Applicable MHC Resident has the right to receive at least 60 days' notice of any planned sale or closure of the MHC.

If any of the foregoing requirements violate applicable law (including if applicable law provides a more favorable protection to the residents of the MHC), then such requirement(s) will be deemed automatically void and of no force or effect. The invalidity or unenforceability of such requirement(s) will not affect the validity or enforceability of any other provision of the written agreements containing the MHC Tenant Protections and all other provisions of any such agreement will remain in full force and effect.

## **11. MHC Tenant Protections Document(s)**

The MHC Tenant Protections Document(s) include:





- Residential leases, including new residential leases or amendments to or restatements of existing residential leases
- MHC rules and regulations that are incorporated by reference into residential leases, and if applicable, the MHC Tenant Protections Notification(s) as described in Section 22.2(p)
- Any other document approved by the lender on or prior to the origination date of the Mortgage

The MHC Tenant Protections Document(s) must comply with applicable law and be valid and enforceable against the Borrower and the Applicable MHC Residents.

## 22.2 Mortgage eligibility and Property requirements (12/14/23)

To be eligible for purchase by Freddie Mac under the MHC Product, an MHC Mortgage and the Property secured thereby must meet the requirements set forth in this section.

Freddie Mac will consider purchasing Mortgages secured by Manufactured Housing Resident-Owned Communities, subject to the applicable requirements set forth in this Chapter 22, and certain additional requirements as determined by Freddie Mac. For additional information, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

### a. Eligible Properties (12/14/23)

The Property must comply with the following:

- The MHC must be located in an area evidencing acceptance of MHC housing
- The MHC must comply with community rules and regulations and contain at least the following amenities:
  - Monument signage
  - A separate, on-site management and leasing office
  - All roads and parking areas must be paved. There may be no dead-end or one-way streets (cul-de-sacs are acceptable).
  - Landscaping must be maintained consistently throughout the MHC
- The occupancy history of the MHC should display a turnover rate that is appropriate to the local market illustrating that the MHC is viable and that there is appropriate demand for manufactured housing
- Initial lease terms should be a minimum of 12 months
- There may be no abandoned Manufactured Homes or structures



- All commercial space located within the MHC must be compatible with the residential nature of the MHC

**b. Ineligible Properties (06/29/17)**

An MHC Mortgage is not eligible for purchase by Freddie Mac if any one of the following conditions apply:

- The Property is the subject of a condominium regime and the Borrower does not own all of the residential condominium units (including any Home Sites) contained within such condominium
- The Property is determined by Freddie Mac to be a recreational vehicle campground
- The Property is subject to any leases with options to purchase Home Sites or Borrower-Owned Homes
- The Borrower is engaged in retail sales or financing of Manufactured Homes, including any rent-to-own programs
- The Borrower, Affiliates of the Borrower and any third-party investors own, in the aggregate, more than 25 percent of the Manufactured Homes within the MHC

**c. Ineligible Programs and Products (07/01/14)**

An MHC Mortgage originated under any of the following Programs or Products is not eligible for purchase by Freddie Mac:

- Multifamily Seniors Housing Product
- Targeted Affordable Housing Cash Mortgage (including those originated under a Forward Commitment)
- Targeted Affordable Housing Bond Credit Enhancement Mortgage (including those originated under a Forward Commitment)

**d. Eligible Borrower and Borrower Principal requirements (04/13/23)**

At least one of the Key Borrower Principals must demonstrate eligibility by meeting the following criteria:

- Having at least two years of prior ownership, operation or management experience of MHCs
- Owning at least one other MHC

**e. Occupancy requirements (06/30/15)**

An MHC must have demonstrated a stabilized occupancy for no fewer than three consecutive months prior to loan closing and as of the Delivery Date. An MHC is considered occupied if it



has received all permits and licenses necessary for occupancy by residents and Manufactured Homes have been placed by residents on the Home Sites contained within the MHC.

Stabilized occupancy is generally defined as an occupancy rate of at least 85 percent of the Home Sites (or such higher level as may be necessary to cover debt service and pay all other expenses at the level required by the applicable purchase program or product) at a rent level that supports the Freddie Mac Underwriting Value of the Property.

**f. Structure type and habitability [replaces Section 8.2(a)] (07/01/14)**

The MHC must contain five or more Home Sites and must be designed, in whole or in part, for residential use. Construction of the MHC, including subsurface utilities and off-site improvements, must be completed as of the Delivery Date. If improvements cannot be completed for valid reasons, such as inclement weather, an adequate Reserve for the incomplete items must be established. Reserves must also be established for any repairs, improvements, alterations, conditions or construction required by the appraiser, engineer and/or Freddie Mac. A satisfactory completion certificate, accompanied by color photographs, must be submitted to Freddie Mac. The MHC must be served by public water and sanitary sewer systems or private wells and waste treatment systems that meet the requirements set forth in this chapter.

**g. Manufactured Home and Home Site requirements (12/14/23)**

All Manufactured Homes located in the MHC must:

- Comply with all applicable State and local requirements,
- Be supported by concrete blocks, concrete piers or steel piers,
- Be professionally skirted and have 100 percent of hitches/jackposts completely concealed, and
- Have exteriors and pad sites that meet community rules and regulations.

Freddie Mac prefers that all Manufactured Homes located in the MHC comply with the requirements of the Federal Manufactured Home Construction and Safety Standards of 1974 (42 USC chap. 70; 24 CFR Part 3280), as amended.

Generally, all Home Sites should have:

- Concrete patios or porches with entries into the Manufactured Home that are compliant with code and community rules and regulations
- Access to concrete or asphalt parking provided by at least one of the following:
  - A driveway leading to an off-street parking space adjoining the Manufactured Home
  - A parking lot serving the MHC



- On-street parking so long as traffic flow in the MHC is unimpaired

The Borrower must certify that all Manufactured Homes have been installed in accordance with all applicable federal, State and local zoning and building codes.

**h. Insurance (07/01/14)**

Each MHC must meet the insurance requirements in Chapter 31 including Section 31.28 which outlines insurance requirements specific to MHC Properties.

**i. Replacement Reserves for MHCs (07/01/14)**

In addition to the requirements set forth in Section 62.6(d), for each MHC Mortgage the Replacement Reserve Amount for the Property must be at least:

- \$50/Home Site/year, and
- \$250/Manufactured Home/year, for each Borrower-Owned Home that is included in the collateral for the MHC Mortgage

Freddie Mac will review the property condition consultant's assessment and determine the actual Replacement Reserve amount.

**j. Property management (06/30/15)**

In addition to the requirements of Section 8.13, the Property should have daily, on-site property management. If daily, on-site property management cannot be provided, then the Property must be professionally managed by a property management company that is experienced in the management of Manufactured Housing Communities and is otherwise acceptable to Freddie Mac.

**k. Subordinate Financing (07/01/14)**

In general, Freddie Mac will not purchase an MHC Mortgage with Subordinate Financing other than a supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product.

**l. Special Flood Hazard Area (06/30/15)**

Freddie Mac will purchase a Mortgage secured by a Manufactured Housing Community located in Special Flood Hazard Area subject to the insurance requirements in Chapter 31, including Section 31.28. In addition, if any Manufactured Homes on the Property are located in a Special Flood Hazard Area, the Seller must deliver to Freddie Mac, in the Final Delivery Package, a certification by Borrower that all residents or tenants of such Manufactured Homes have been notified that their Manufactured Homes are located in a Special Flood Hazard Area.



**m. Wood-damaging insect inspection report (12/15/16)**

The wood-damaging insect inspection requirements in Section 8.2(e) may be waived if the following conditions are satisfied:

- In the property condition report, the property condition consultant comments that no obvious evidence of wood-damaging insects (e.g., termites, powderpost beetles, and carpenter ants, etc.) and/or deterioration damage was observed or reported, subject to the requirements in Section 62.5(e).
- All structures included in the collateral for the Mortgage are non-residential.

**n. Moisture Management Plan (06/30/15)**

The Moisture Management Plan requirements in Section 8.3(a) may be waived if the following conditions are satisfied:

- In the property condition report, the property condition consultant comments that no obvious evidence of moisture damage was observed or reported, subject to the requirements in Section 62.5(d).
- All structures included in the collateral for the Mortgage are non-residential.

**o. Asbestos-containing material (ACM) – testing requirements (02/16/23)**

The ACM—environmental assessment protocol described in Section 61.10(b) may be waived if the following conditions are satisfied:

1. Friable ACM is located only in communal buildings such as the leasing office, clubhouse, etc.
2. Friable ACM is not easily accessible.
3. Friable ACM is clearly and sufficiently encapsulated.
4. Friable ACM is in undamaged condition.

**p. MHC Tenant Protections (04/14/22)**

Borrowers are required to include all eight of the MHC Tenant Protections (including the conflicts with law provision) outlined in Section 22.1(b)(10) above in written agreements with Applicable MHC Residents within 12 months after the Origination Date of the Mortgage (unless MHROC, government-owned, or non-profit owned).

The MHC Tenant Protections may be incorporated into residential leases, MHC rules and regulations that are incorporated by reference into residential leases, or other agreements approved by the Seller/Servicer and Freddie Mac, so long as the Borrower obtains an executed copy of such agreement from each Applicable MHC Resident. If the Borrower elects to incorporate the MHC Tenant Protections in the MHC rules and regulations, and the Mortgage is originated on or after August 2, 2021, then in lieu of obtaining a written



acknowledgment from each Applicable MHC Resident, the Borrower may deliver to each Applicable MHC Resident a written notification listing the MHC Tenant Protections set forth in the MHC rules and regulations (“the **MHC Tenant Protections Notification**”). The MHC Tenant Protections must apply to all existing and future Applicable MHC Residents and must remain in effect throughout the term of the Mortgage.

The entry for MHC Mortgages in Section 55.2 contains the underwriting documentation and Section 40.16 contains the additional Servicing requirements necessary for these Mortgages.

For additional information regarding these requirements, contact the *Applicable Freddie Mac Multifamily Regional Office* that serves the region where the Property is located.

### 22.3 Fixed-rate Mortgage requirements (06/29/17)

A fixed-rate Mortgage submitted under the MHC Product must meet the requirements of Section 17.2, unless specifically noted in this section.

#### a. Eligible Mortgages; principal amount [replaces Section 17.2(b)] (05/05/17)

MHC Mortgages for the purpose of the refinancing or acquisition of the Property are eligible for purchase. Freddie Mac may also consider purchasing MHC Mortgages that include moderate rehabilitation of the Property, subject to additional conditions. The principal amount of any MHC Mortgage may not be less than \$1 million.

#### b. Term (06/29/17)

See Section 17.2(c).

#### c. Maximum amortization period (07/01/14)

The maximum amortization period is 30 years.

### 22.4 Floating rate Mortgage requirements (05/05/17)

A Floating rate Mortgage submitted under the MHC Product must meet the requirements of Section 17.2, as modified by Section 17.3, except that the principal amount of any MHC Mortgage may not be less than \$1 million.

### 22.5 Appraiser and Appraisal requirements (06/17/21)

In addition to meeting the requirements of Chapter 60, the appraiser and any Appraisal for a Property financed through Freddie Mac's MHC Product must meet the requirements in the remainder of this section.

#### a. Appraiser qualifications (07/01/14)

In addition to meeting the requirements of Section 60.4, each appraiser performing Appraisals of MHCs must be experienced in, and actively and regularly engaged in, appraising MHCs with the complexity and characteristics similar to those of the Property. Relevant experience includes having previously appraised at least five MHCs within the last

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three years. This experience must be demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must also be knowledgeable about current real estate market conditions and financing trends for all of the types of MHCs, including any age-restricted MHCs, and be knowledgeable about such market conditions and trends in the geographic market area where the Property is located.

**b. Appraisal report requirements (06/17/21)**

The following requirements apply to each Appraisal for an MHC, in addition to the Appraisal requirements set forth in Chapter 60.

**1. Rental and sale comparable MHCs**

Freddie Mac requires the use of comparable properties developed or leased for MHCs. If comparable MHCs are not available in the local market, the appraiser may use comparable regional MHCs. If regional comparable MHCs are not available, national comparable MHCs in similar markets can be used. Appropriate adjustments for comparable MHCs should be made due to location. Rental and sale comparable properties should be similarly classified to the Property (e.g., whether such MHC is age-restricted). If such comparable MHCs are not available, the appraiser must discuss the adjustments necessary to correlate the comparable MHC values with the Property's value.

When analyzing comparable properties for valuation, the appraiser must declare whether, to the best of its knowledge after due inquiry, non-realty items such as Manufactured Homes, contributory business value, personal property, and/or going concern value, revenue from snack bars, restaurants, water parks, golf courses or related membership payments are included in the sales price.

For both sales and rent comparable properties, the appraiser must also identify and consider the following in the Appraisal:

- The percentage of Homes owned by the MHC owner, an Affiliate of the MHC owner, and investors
- The percentage of recreational vehicles and their rent structure

**2. Revenue and expenses**

**A. Seasonality and pre-paid rents**

In addition to the requirements of Section 60.17(d), the appraiser must review and understand how management's Rent collection policies and procedures accommodate seasonal fluctuations in operating income, including those from recreational vehicles. If any of the residents at the MHC pay rent more than 30 days in advance of their respective due dates, the appraiser must discuss this trend in their analysis and explain the impact to their valuation.

**B. Revenue and expense structures**

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The appraiser must review and understand any planned changes to the revenue and expense structure that will affect income flows, such as rent changes and expense pass-throughs, and incorporate them into its analysis.

If there are Homes owned by the Borrower or an Affiliate of the Borrower, the appraiser should evaluate if the allocation of Home Site rent and Home rent is congruent with the market.

### **3. Separate valuations for realty and non-realty**

The Appraisal must clearly and prominently report the total market value of the Property as well as an allocation for Borrower-owned Manufactured Homes, contributory business value, personal property and/or other non-real estate items.

In an acquisition, the appraiser must duly inquire about the price to be paid for Manufactured Homes owned by the Borrower or an Affiliate, and if the purchase of such Manufactured Homes is a condition of the sale. The responses should be considered in the appraiser's valuation.

The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

### **4. Affordability analysis**

The Appraisal must include an evaluation of and report on alternative housing options to determine the affordability of owning a Manufactured Home at the Property. These housing options are evaluated to estimate the competitive position of the Property in the housing market. The evaluation in the Appraisal must include a comparison of the cost of owning a Manufactured Home at the Property, purchasing a single-family home in the region and renting an apartment in the region.

## **22.6 Property condition and environmental reports (04/18/24)**

In addition to meeting the requirements of Chapters 61 and 62 with respect to environmental and property condition reports, the following requirements apply to all Mortgages secured by MHC Properties. In the event of a conflict between the requirements of Chapters 61 or 62 and the requirements of this section, the requirements of this section will apply.

### **a. Property condition consultant qualifications and requirements (07/01/14)**

In addition to the requirements set forth in Section 62.8(b), a property condition consultant must have two or more years of experience preparing property condition reports and performing inspections of MHCs.

### **b. Property description and evaluation (04/18/24)**

In its review of the physical condition of the MHC, the property condition consultant must perform the following:



## **1. Private wells**

- Inspect all visible components and describe the system, including its historical operations and adequacy
- Verify that access to equipment is restricted to authorized personnel
- Provide costs for connecting to the municipal water system if one is readily available
- Identify any backup water source in the event the system becomes unusable – if no source is in place, provide recommendations and costs for providing one
- Confirm historical operations of the system, including any violations
- Identify reserves needed to maintain the system
- Confirm that private wells are common to the market
- Confirm that the Borrower is the only party using or authorized to use the private wells servicing the MHC (i.e., no third-party has the right to tie-in to the Borrower's private wells and the Borrower's license or authorization to operate the private wells is not conditioned on providing private well services to another property).
- Confirm professional third-party maintenance
- Confirm that private wells meet or exceed applicable federal, state, and local requirements
- Confirm that wells are neither owned nor maintained by residents

## **2. Waste treatment system**

- Inspect all visible components and describe the system, including its historical performance and adequacy
- Verify that access to the system is restricted to authorized personnel
- Provide costs necessary to link into the municipal waste system if one is readily available
- Describe the leach field and distance to surrounding bodies of water that could be impacted by the effluent
- Confirm historical operations of the system, including any violations
- Identify reserves needed to maintain the system and leach field



- Confirm that no buildings or structures are located on top of the leach field
- Confirm that private waste treatment systems are common to the market
- Confirm that the Borrower is the only party using or authorized to use the private waste treatment system or private waste system network servicing the MHC (i.e., no third-party has the right to tie-in to the Borrower's private waste treatment system and the Borrower's license or authorization to operate the private waste treatment system is not conditioned on providing private waste treatment services to another Property).
- Confirm professional third-party maintenance
- Confirm that the waste treatment system meets or exceeds applicable federal, State, and local requirements
- Confirm that waste treatment systems are neither owned nor maintained by residents

### **3. Flood zone**

Determine if the MHC is located in a flood zone.

### **4. Pad sites**

- Describe pad sites, including lot size
- Describe utilities provided to the pad sites
- Provide lot size mix based upon the maximum size each pad site can accommodate (single-wide, double-wide, etc.). Additionally, confirm with management if smaller Manufactured Homes are allowed on pad sites intended for larger Manufactured Homes and if pad sites intended for smaller Manufactured Homes (e.g., single-wide) are allowed to be combined to accommodate larger Manufactured Homes (e.g., double-wide).
- Inspect and comment on all vacant and Down Home Sites, detailing the condition of the pad site, utility connections and landscaping.

### **5. Decks and patios**

Confirm that decks and patios are compliant with code, sound and provide adequate access to all Manufactured Homes.

### **6. Manufactured Home installation**

Confirm that the installation of the Manufactured Homes is in compliance with all zoning and building codes.

### **7. Skirting and hitches**



Confirm that all Manufactured Homes are professionally skirted (specify materials) and identify if there are any exposed hitches.

**8. Inspection of Borrower-Owned Homes and buildings**

- Follow Guide requirements for inspection of Borrower-owned buildings (clubhouse, laundry, etc.)
- Inspect 10 percent of Borrower-Owned Homes with a minimum of two
- Inspect all vacant and down Borrower-Owned Homes
- If Manufactured Homes are vacant but are not part of the collateral, then the exteriors of such Manufactured Homes must be inspected.

**9. Tenant-owned ancillary structures**

Confirm that tenant-owned ancillary structures (e.g., sheds, storage structures, etc.) are allowed on the pad sites. Describe any deficiencies that could have a detrimental effect on other Manufactured Homes or the MHC as a whole (such as ancillary structures that do not appear to be permanent, or that do not meet community rules and regulations).

**10. General site maintenance**

Confirm that all site components (street paving, curbing, mailboxes, site lighting, landscaping, drainage, etc.) appear to be consistently maintained.

**11. Properties located in an Elevated Seismic Hazard Region**

Confirm that all Borrower-Owned Homes that are inspected meet all local seismic codes and requirements.

**12. Electrical capacity**

A Manufactured Housing Community with electrical power under 60 amperes is permitted, provided that the property condition consultant confirms electrical power meets the minimum requirement of all State and local building codes. If the electrical power is below the requirements of any State or local building codes, the property condition consultant must:

- Confirm the current power level is sufficient for the Manufactured Housing Community (although no load calculation is necessary)
- Recommend corrective measures as outlined in Section 22.6(c) or Section 62.5(c), as applicable

The consultant must also:



- Identify previous electrical problems
- Confirm that electrical hookups are in place on all vacant Home Sites

**c. Priority Repairs (12/14/23)**

In addition to any other repairs that may be identified by the consultant, the following items must be included in Priority Repairs:

- Home Sites with electrical capacity below the minimum requirements of all State and local building codes must be brought to compliant levels
- Install electrical hookups on vacant Home Sites if not in place
- Pave any unpaved roads, driveways, and parking lots
- Remove abandoned Manufactured Homes and structures (if permitted by the Manufactured Home's ownership)
- Repair unmaintained landscaping (e.g., excessive soil erosion, overgrown grass or vegetation, dead or decaying trees) in common areas

**22.7 Seismic Risk Assessment requirements for Manufactured Housing Communities (12/15/22)**

In addition to meeting the requirements of Chapter 64 with respect to Seismic Risk Assessments (SRA), the following requirements apply to all Mortgages secured by MHC Properties. In the event of a conflict between the requirements of Chapter 64 and the requirements of Sections 22.7(a)- (c), the requirements of these sections will apply.

**a. Seismic risk factors for Manufactured Housing Communities [replaces Section 64.2(c)] (12/15/22)**

If the Manufactured Housing Community is in an Elevated Seismic Hazard Region as defined in Section 64.2, and the Property has permanent residential structures, the Seller/Service must evaluate the permanent residential structures for the following seismic risk factors:

- Any wood-framed building built prior to 1960
- Reinforced concrete masonry (CMU) bearing wall buildings constructed prior to 2000
- Any unreinforced masonry construction, regardless of retrofit
- Any Property was required to undergo a seismic retrofit by any local or State authority

If any one of the risk factors listed above are present at the Property, or if the Seller/Service cannot conclusively determine that none of the risk factors are present at the Property, a Level 1 SRA is required.



**b. Specific Seller/Servicer duties and responsibilities [replaces Section 64.3] (06/29/17)**

The Seller/Servicer's responsibilities are to:

- Retain and direct the seismic risk consultant when a Level 1 SRA is required

The Seller/Servicer must review and verify the seismic risk consultant's credentials, licensing, certifications, memberships and affiliations. For new seismic risk consultants, the Seller must check at least three references from lenders who have retained or employed the seismic risk consultant to sufficiently evaluate the seismic risk consultant's capabilities and performance. The Seller must maintain a separate seismic risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each seismic risk consultant's performance, as well as the seismic risk consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the seismic risk consultant, but the Borrower may be responsible for paying the costs of all SRA services.

- Provide information identified in Section 64.6
- Obtain a Level 1 SRA for the Property, when required, and review the SRA to
  - Ensure that it complies with Freddie Mac's requirements
  - Verify that conclusive recommendations are provided for all identified issues
- Disclose to Freddie Mac any seismic risks identified in the SRA as well as any insurance required by Section 64.14

**c. Level 0 SRA requirements [replaces Section 64.4] (06/29/17)**

A Level 0 SRA is not required for any MHC Property.

**22.8 Seller property inspections (04/18/24)**

For Home Sites and Borrower-Owned Homes the requirements in Section 8.15 apply. In addition, for Borrower-Owned Homes the following apply:

- Prior to early-rate lock, the Seller must inspect an appropriate sample of Borrower-Owned Homes based on the Seller's discretion and expertise, the condition of the Property, and any identified issues or other factors
- At full underwriting, the Seller must conduct a complete property inspection including, but not limited to, the following:

1. Inspection of:



- Ten percent of Borrower-Owned Homes, excluding Down Home Sites, with a minimum of two
  - All Down and vacant Borrower-Owned Homes
  - All non-revenue Borrower-Owned Homes
2. Prior to the inspection date, the Seller must select twice the required number of Borrower-Owned Homes for inspection, and the Seller must instruct the Borrower to provide appropriate notification to the tenants of the selected Borrower-Owned Homes. A list of the Borrower-Owned Homes to be selected must be provided to Freddie Mac prior to the date of inspection.
  3. On the day of the inspection, if Freddie Mac is on-site and participating in the inspection, Freddie Mac will select the Borrower-Owned Homes to be inspected. If Freddie Mac is not present, the Seller will select the Borrower-Owned Homes to be inspected. Neither the Borrower nor the property manager may select or recommend Borrower-Owned Homes to be inspected.

When a property inspection is delegated to the Seller, and the Borrower or the property manager cannot gain access to Borrower-Owned Homes, the Seller may substitute originally noticed units for the inaccessible units in order to fulfill the unit inspection and lease-audit requirements. The Seller must identify the inaccessible and substituted Borrower-Owned Homes in the inspection form.

4. The Seller must interview the property manager to discuss Borrower-Owned Homes
5. The Seller must document the complete property inspection. At full underwriting the Seller must submit the following property inspection documentation:
  - If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each inspected Borrower-Owned Home, if applicable, must be provided
  - Completed [Property Inspection and Lease Audit](#) form, including a lease audit of all Borrower-Owned Homes, with a maximum of five Borrower-Owned Homes

## 22.9 Delivery requirements (07/01/14)

Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

The Final Delivery Package must meet the requirements of Chapter 32, and the applicable Final Delivery Table of Contents and the Final Delivery Instructions, found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase).





## **22.10 Additional title and survey requirements (03/03/17)**

### **a. Manufactured Housing Unit Endorsement (03/03/17)**

See Section 29.1(g).

### **b. Additional survey requirements (03/03/17)**

See Section 29.5(e).

### **c. Additional search requirements for MHC Mortgages (03/03/17)**

See Section 29.4(f).

## **22.11 Seller/Servicer approval (06/27/19)**

Subject to Freddie Mac approval, an Optigo Lender may originate MHC Mortgages for sale to Freddie Mac, and service those Mortgages.

## **22.12 General Servicing policy for MHC Mortgages (10/21/21)**

Unless otherwise stated, the Servicing of each MHC Mortgage must meet the requirements of Chapters 36 through 43.

MHC Mortgages with MHC Tenant Protections, including all MHC Mortgages quoted on or after September 1, 2021 (unless MHROC, government-owned, or non-profit owned), will have additional reporting requirements during the Mortgage term. See Chapter 40.

A Servicer's obligation to maintain the continuity of Freddie Mac's perfected security interest in personal property relating to the Property includes the filing of UCC continuation statements as described in Section 43.5(a) as well as other necessary actions required under applicable law if the security interest in such personal property cannot be perfected with the filing of a UCC financing statement.

## **22.13 General warranties by Seller Servicer (07/01/14)**

### **a. Rent schedule [replaces Section 5.2(a)] (07/01/14)**

The rent schedule submitted to Freddie Mac must:

- Contain no errors of which the Seller has knowledge, and
- Accurately state both the gross potential rents and the actual leased rents for the Home Sites and any Borrower-Owned Homes for the Property within a tolerance range of 7.5 percent

### **b. Additional sale documents (07/01/14)**

To the extent that a security interest in any Borrower-Owned Home cannot be perfected upon the filing of a Financing Statement or the Mortgage, and Freddie Mac requires such a



perfected security interest be delivered in connection with the Mortgage, then all necessary actions required under applicable law (including the amendment of and taking possession of any certificate of title, or the filing of appropriate documentation) have been taken as necessary to establish Freddie Mac as the holder of a perfected security interest in any Borrower-Owned Home.

#### **22.14 Additional documents required for the underwriting package (06/17/21)**

For refinances of MHCs with Manufactured Homes owned by the Borrower or an Affiliate of the Borrower, the Seller/Servicer must provide income and expense statements of such Manufactured Homes pursuant to Section 55.2.

If the Property is an MHROC, the Seller/Servicer or Seller/Servicer's legal counsel must submit a completed copy of the Manufactured Housing Resident-Owned Community Analysis in the applicable underwriting package, with a copy to the *Multifamily Attorney*. The [Manufactured Housing Resident-Owned Community Analysis](#) must be submitted in addition to submitting the completed Legal Issues Analysis form.

# Multifamily Seller/Service Guide

## Chapter 23

### Targeted Affordable Housing Underwriting Analysis for Affordability Components



#### 23.1 [Overview of Targeted Affordable Housing affordability components \(12/16/15\)](#)

#### 23.2 [General requirements for Regulatory Agreements \(02/28/20\)](#)

- a. [Income restrictions \(02/28/20\)](#)
- b. [Rent restrictions \(12/16/15\)](#)
- c. [Regulatory Agreement analysis \(12/16/15\)](#)
- d. [Regulatory Agreement compliance monitoring \(12/16/15\)](#)

#### 23.3 [Section 8 \(02/16/23\)](#)

- a. [Section 8 project-based subsidy; definitions \(09/26/19\)](#)
- b. [Section 8 tenant-based subsidy; definitions \(09/26/19\)](#)
- c. [Section 8 income and expense requirements \(12/15/20\)](#)
- d. [Underwriting criteria for Section 8 vouchers \(02/16/23\)](#)
- e. [Section 8 Replacement Reserves \(12/16/15\)](#)
- f. [Section 8 Transition Reserves \(06/25/20\)](#)
- g. [Underwriting documentation for Section 8 \(09/26/19\)](#)

#### 23.4 [Section 236 \(12/16/15\)](#)

- a. [Types of Section 236 interest subsidies \(12/16/15\)](#)
- b. [Basic Rent and Fair Market Rent \(12/16/15\)](#)
- c. [Mortgage structure and credit enhancement \(12/16/15\)](#)



## 23.1 Overview of Targeted Affordable Housing affordability components (12/16/15)

This chapter contains additional requirements for the following affordability components:

- Regulatory Agreements
- Section 8
- Section 236

## 23.2 General requirements for Regulatory Agreements (02/28/20)

Freddie Mac purchases or credit enhances Mortgages secured by Properties subject to Regulatory Agreements. The requirements of this section apply to any Mortgage that is subject to a Regulatory Agreement.

A Regulatory Agreement is a binding agreement that places income, rent or other use restrictions on all or selected units of a Property for a given period. A Property financed with tax-exempt bonds or eligible for LIHTC is or will be subject to a Regulatory Agreement. In addition, federal, State or local governments or their agencies may impose income or rent restrictions in connection with loans or grants to Properties, such as federal HOME loans or HUD Section 236 subsidies, or in connection with real estate tax abatements.

This Guide uses the term “Regulatory Agreement” generically. The term Regulatory Agreement also includes land use restriction agreements, declarations of restrictive covenants, extended use agreements and a variety of other agreements dependent upon the custom of the governmental entity imposing the restrictions.

### a. Income restrictions (02/28/20)

A Regulatory Agreement may require that certain residents of a Property meet specific income eligibility requirements. Frequently, the income restrictions are based on a percentage of “area median gross income adjusted for family size” (AMI) that is published annually by HUD.

#### 1. Tax-exempt bonds and LIHTC

Properties financed through the issuance of tax-exempt bonds and LIHTC Properties have income restrictions established under the tax code. Freddie Mac reflects such restrictions in its underwriting.

Freddie Mac will only purchase or credit enhance Mortgages secured by LIHTC Properties electing the Income Averaging Set-Aside if such election has been made in the tax credit application and the reservation letter (or the Internal Revenue Code (IRC) Section 42(m) letter, if applicable) and is reflected in the final IRS Form 8609(s), Low-Income Housing Credit Allocation and Certification. Additional underwriting and legal requirements for LIHTC Properties electing the Income Averaging Set-Aside are set forth in Chapter 55 and Section 6.4, respectively.

#### 2. Other subsidies

Properties benefitting from governmental entity loans, grants, rental subsidies, or real estate tax abatements may also be governed by Regulatory Agreements imposing income eligibility conditions or limits. Freddie Mac reflects such conditions in its underwriting.

3. Multiple subsidies

If a Property receives multiple subsidies, it may be subject to multiple income restrictions imposed by different governmental entities. If multiple income restrictions result in income restrictions for units that overlap, Freddie Mac requires that the most stringent restrictions be followed, as in the example below:

A 60-unit LIHTC Property that is financed with a HOME loan and benefits from real estate tax abatement:

Governing Program	Income Restrictions
LIHTC	20 units at 30% AMI 40 units at 50% AMI
HOME loan	40 units at 30% AMI
Real estate tax abatement	All units at 50% AMI

In this example, the minimum income restriction requirement for the Property is 40 units at 30 percent of AMI and 20 units at 50 percent of AMI.

b. Rent restrictions (12/16/15)

Regulatory Agreements may include rent restrictions for income-eligible tenants. Freddie Mac reflects such restrictions in its underwriting. A Property receiving multiple subsidies may be subject to multiple rent restrictions imposed by different governmental entities. Freddie Mac requires that the most stringent restrictions be followed if multiple restrictions overlap.

c. Regulatory Agreement analysis (12/16/15)

The Seller’s counsel must provide Freddie Mac with the [Regulatory Agreement Analysis](#) for each Regulatory Agreement to which a Property is subject.

d. Regulatory Agreement compliance monitoring (12/16/15)

The Servicer must comply with the requirements of Section 28.24 if a Property is financed by tax-exempt bonds.

23.3 Section 8 (02/16/23)

Freddie Mac purchases or credit enhances Mortgages secured by Properties receiving or expecting to receive rental subsidy payments through the Section 8 program. The nature of the Section 8 contract will determine the applicable underwriting requirements. Early in the underwriting process, the Seller/Servicer must inform Freddie Mac of the type of Section 8



contract on the Property, including any exception rent contracts. If the level of Section 8 subsidy is not material to a Property's income (for example, 20 percent or less of effective gross income (EGI)), Freddie Mac may consider the Mortgage to be a non-Section 8 Mortgage and will not underwrite the Mortgage using Section 8 criteria.

If a Property benefits from more than one type of subsidy, Freddie Mac requires the Mortgage to meet the underwriting requirements of each subsidy. Where underwriting requirements overlap, the Mortgage must be underwritten to comply with the most restrictive standard.

A Property may receive rental subsidy payments under a project-based contract or through tenant-based vouchers.

**a. Section 8 project-based subsidy; definitions (09/26/19)**

A Section 8 project-based subsidy refers to rental assistance associated with a specific Property rather than with specific tenants. The Property receives a cash payment based on the number of qualifying tenants living in qualifying units. The contractual basis for this form of subsidy is known as a Housing Assistance Payments (HAP) or a Section 8 contract. Freddie Mac classifies a HAP or Section 8 contract as either a Long Term Section 8 contract or a Short Term Section 8 contract.

A Section 8 contract is considered a Long Term Section 8 contract if:

- The term of the Mortgage is less than or equal to 20 years and the HAP or Section 8 contract is greater than or equal to the term of the Mortgage
- The term of the Mortgage is greater than 20 years and the HAP or Section 8 contract is greater than or equal to 20 years

All other HAP or Section 8 contracts are considered to be Short Term Section 8 contracts.

Other definitions pertinent to the Section 8 Program are as follows:

- Above Market, which refers to Section 8 rents that are higher than the achievable market rent, also referred to as "HAP Overhang"
- At or Below Market, which refers to Section 8 rents that are equal to or lower than the achievable market rent

**b. Section 8 tenant-based subsidy; definitions (09/26/19)**

This form of subsidy provides rental assistance to a specific tenant rather than a specific Property. The Property receives a cash payment based on the number of qualifying tenants. The written authorization provided to the tenant for this subsidy is known as a voucher.

See Section 23.3(e) for underwriting criteria for Properties with existing Section 8 voucher holders.



**c. Section 8 income and expense requirements (12/15/20)**

Freddie Mac underwrites to the lower of market rents, Section 8 contract rents, or LIHTC rents, where applicable, and with consideration given to whether there is a Long Term Section 8 contract or Short Term Section 8 contract in place.

**1. Properties with Long Term Section 8 contracts**

For a Property with a Long Term Section 8 contract, Freddie Mac underwrites to the lower of HAP rent or market rent as follows: i) if the Property passes the refinance test at market rents, then Freddie Mac may underwrite the Mortgage with an Above Market HAP rent, up to 110 percent of market rents, without using the blended rate option described below, or ii) if the Property does not pass the refinance test at market rents regardless of the term of the loan, then Freddie Mac must underwrite the Mortgage using the bifurcation or blended rate option described below. If bifurcated, the real estate component must pass the refinance test at market rents. If the blended rate has been used, the full loan must pass the refinance test using the blended interest rate and blended amortization.

**2. Properties with Short Term Section 8 contracts**

Freddie Mac will underwrite a Property with a Short Term Section 8 contract to the lowest of Section 8 contract rent, market rent or LIHTC rent, if applicable. However, If the HAP rent is Above Market, depending on the characteristics of the Mortgage, Freddie Mac may underwrite the rents with a HAP Overhang using the bifurcation option or blended rate option described below, and must pass the refinance test at market rents regardless of the term of the loan.

**3. Maturity risk analysis**

If the Mortgage is underwritten with a HAP Overhang, then the Mortgage must pass a refinance test at market rent, regardless of the term of the Mortgage. In determining the achievable market rents, Freddie Mac reviews the market evidence and the appraiser's estimate of market rents to evaluate the rent levels achievable at the Property without a Section 8 contract.

**4. Bifurcation option**

Requirements for the bifurcation option are as follows:

- The real estate component (LIHTC or market) is underwritten by calculating the Property's net operating income (NOI) using the lower of LIHTC or market rents and expenses. Freddie Mac uses LIHTC rents when the unit is subject to rent restrictions and uses the market rents only when the unit is not subject to rent restrictions.
- The HAP Overhang component must be sized to a DCR of 1.00x and structured so that it self-amortizes over the term of the Section 8 contract period or the term of the Freddie Mac Mortgage, whichever is less. The HAP Overhang component is underwritten using only the amount of additional income that the higher Section 8 contract rents would provide assuming the appropriate Section 8 vacancy. No expenses are deducted from the HAP Overhang income.





- Combined valuation: Freddie Mac bases the real estate value on the lower of market rents or tax credit rents, if applicable, and determines the additional value attributable to the excess Section 8 contract rents by using a discounted cash flow method at the Note rate.
- Freddie Mac determines the LTV by combining the real estate value and the excess rent value.

5. Blended rate option

With the blended rate option, Freddie Mac underwrites the Mortgage using one note rate where the terms of the single note produce substantially the same blended UPB, interest rate and amortization schedule that would be produced using the bifurcation option described above. The UPB of the Mortgage at the end of the HAP contract must be no greater than 102 percent of the UPB had Freddie Mac used the bifurcation option.

6. Additional considerations

Freddie Mac also considers:

- Whether the Borrower Principal has both substantial net worth and experience in owning Section 8 properties
- Whether the Property is located in a strong market with a low vacancy rate in subsidized units

**d. Underwriting criteria for Section 8 vouchers (02/16/23)**

If a Property has existing Section 8 voucher holders, Freddie Mac underwrites the Property to the lower of the voucher rent, LIHTC rent or market rent because of the tenant's ability to move from the Property.

For units that have voucher tenants covered under the Public Housing Authority (PHA) Project-based Assistance Program, if the voucher payment is At or Below Market rent, but higher than LIHTC rent, in certain circumstances such as high-cost markets, Freddie Mac may underwrite a percentage of the voucher payment that is above LIHTC rent, provided that the following conditions are met:

- a. The voucher payment can be supported by either a PHA contract or rental history of the Property,
- b. There is a demonstrated demand for Section 8 vouchers at the Property,
- c. There is a substantial (more than 10 percent) affordability gap between the market rents and LIHTC rents,
- d. A sensitivity analysis based on the LIHTC rents shows that the Property can maintain a minimum DCR of 1.10x,



- e. The percentage, if any, must be determined by Freddie Mac at an early state in the transaction, and
- f. The Property has a history of renting to tenants that hold vouchers.

**e. Section 8 Replacement Reserves (12/16/15)**

Freddie Mac requires the funding of a Replacement Reserve for each Property with a Section 8 contract.

See Section 39.6(f) for the Servicing requirements for a Replacement Reserve for a Mortgage with a term longer than 10 years.

**f. Section 8 Transition Reserves (06/25/20)**

Freddie Mac may require the funding of a Transition Reserve for a Property with a Section 8 contract.

**1. Size**

The size of the Transition Reserve must equal or exceed six months of amortizing debt service, based on the proportion of project-based Section 8 units to the total number of rental units. Freddie Mac may require a higher Transition Reserve for a Property located in a weak market or if there are other underwriting concerns.

If fewer than 20 percent of the Property's units are covered by the Section 8 contract, no Transition Reserve is required.

**2. Funding**

A Transition Reserve is generally not required for a Long-Term Section 8 contract. The reserve will not be required when all of the following conditions have been met:

- The Guarantor is acceptable to Freddie Mac.
- The Borrower Principal owns at least five properties with Section 8 contracts, including the Property, and has at least 10 years' experience in affordable housing investment or development.
- The Property is in satisfactory condition as determined by a property inspection conducted by Freddie Mac or the Servicer and has a REAC score greater than or equal to 70.

A Transition Reserve is generally required for a Short-Term Section 8 contract.

**3. Release scenarios**

Freddie Mac may release the Transition Reserve upon written request from the Borrower/Borrower Principal and satisfaction of at least one of the following two scenarios and the additional conditions set forth below:



Scenario 1 – all conditions must be met:

- The Section 8 contract has expired and will not be renewed.
- The Property, at market rents, achieves the current program minimum DSCR.
- The Property has already transitioned to operate as a nonsubsidized, market-rate rental Property.

Scenario 2 – all conditions must be met:

- The Borrower has secured a new fully executed Long Term Section 8 contract.
- The Property, with the new Long-Term Section 8 contract rents, achieves the current program minimum DSCR.

In addition, all of the following conditions must be met under either scenario:

- The Property has achieved 90 percent occupancy for a minimum of the 90 consecutive days prior to the written release request.
- There are no defaults.
- The Property is in satisfactory physical condition as determined by the most recent inspection conducted by either Freddie Mac or the Servicer.

**g. Underwriting documentation for Section 8 (09/26/19)**

The Seller must review the Section 8 contract documentation, including the rent, income and use restriction documentation (as applicable), specified in Section 55.2 and must submit it to Freddie Mac in the applicable underwriting package.

**23.4 Section 236 (12/16/15)**

This section provides the requirements for a Property benefiting from Section 236 interest subsidies, also referred to as Interest Reduction Payments (IRPs). For a Section 236 Mortgage to be eligible for sale to Freddie Mac, the Property must be currently receiving IRP assistance and must be in compliance with all applicable legislative and regulatory requirements.

**a. Types of Section 236 interest subsidies (12/16/15)**

Freddie Mac purchases or credit enhances both types of Section 236 interest subsidies:

- Section 236(b) Absorption

An approved State or local lender purchases the insured Section 236 Mortgage, terminates the FHA Mortgage insurance, but keeps the Mortgage and IRP in place and provides additional financing if necessary.

- Section 236(e)(2) Decoupling

HUD permits the owner of a Section 236 Property to refinance a Section 236 Mortgage and retain the IRP subsidy, provided that the owner agrees to certain rent and income restrictions.

For both types of subsidies the owner must execute a use agreement with HUD that extends for at least five years beyond the term of the original Mortgage. In addition, the owner may not displace existing tenants. Tenants residing in Section 236 units must meet the Section 236 income limits. On the Origination Date of the Mortgage, the Property must be in compliance with all applicable legislative and regulatory requirements and must remain in compliance throughout the term of the Mortgage.

**b. Basic Rent and Fair Market Rent (12/16/15)**

Basic Rent is a HUD-calculated rent that is sufficient to cover the Property’s operating expenses, debt service based on a reduced interest rate of one percent and a limited return on equity. Section 236 Fair Market Rent is a HUD-calculated rent that is sufficient to cover the Property’s operating expenses, debt service payments based on the HUD note rate and a limited return on equity.

The Seller must submit to Freddie Mac in the applicable underwriting package evidence that HUD has approved the Basic Rent and Section 236 Fair Market Rent. Freddie Mac underwrites rents to the lowest of the Basic Rent, achievable market rent, or LIHTC rents, if applicable.

**c. Mortgage structure and credit enhancement (12/16/15)**

Freddie Mac underwrites the Mortgage for a Property with IRPs using a bifurcated structure – a real estate component and an IRP component.

Freddie Mac sizes the real estate portion of the Mortgage using the parameters applicable to each lending product.

Components	Minimum DCR	Maximum LTV
Real estate component	As applicable for each product	As applicable for each product
IRP assistance component	1.00x	100 percent of IRP value
Combined	N/A	N/A

IRP subsidy payments are made per a stated schedule and generally decline on a gradual basis over their term. The IRP component must self-liquidate over the term of the IRP subsidy. Freddie Mac may underwrite the IRP component to the annual IRP subsidy income for the term of the remaining IRP subsidy. Freddie Mac requires the Seller to prepare a cash flow analysis to show how debt service payments will be made; this cash flow analysis must be submitted to Freddie Mac with the underwriting package.

Freddie Mac calculates the IRP value discounting the IRP payment stream at the Note rate.



The Seller must prepare the refinance test available at [https://mf.freddiemac.com/lenders/uw/refinance\\_test\\_template.html](https://mf.freddiemac.com/lenders/uw/refinance_test_template.html) using the bifurcated structure and taking into consideration any impact the use agreement may have on future Net Operating Income (NOI).

The requirement to pass the Refinance Test does not apply to Mortgages with an amortizing Mortgage term of 15 years or more (for example, a 15-year Mortgage term with 30-year amortization).

If the Section 236 Property also benefits from a Section 8 subsidy, see the provisions for Section 8 in Section 23.3.

# Multifamily Seller/Service Guide

## Chapter 24

### Freddie Mac Multifamily Green Advantage®



#### 24.1 [Green Advantage® definition and overview \(02/18/21\)](#)

#### 24.2 [Eligibility for Green Advantage offerings \(08/17/23\)](#)

- a. [Green Up and Green Up Plus \(08/17/23\)](#)
- b. [Green Certified \(02/18/21\)](#)
- c. [Green Rebate and C-PACE Consent \(10/12/17\)](#)
- d. [Green Retrofits \(02/18/21\)](#)

#### 24.3 [Description of Green Advantage offerings \(06/17/21\)](#)

- a. [Green Up and Green Up Plus loan options \(12/17/19\)](#)
- b. [Green Certified \(02/18/21\)](#)
- c. [Green Rebate \(10/12/17\)](#)
- d. [C-PACE Consent \(02/28/19\)](#)
- e. [Green Retrofits \(06/17/21\)](#)



## 24.1 Green Advantage® definition and overview (02/18/21)

Green Advantage is a suite of offerings that reward a Borrower who has made or plans to make the Borrower's Property more energy and water efficient. The offerings are as follows:

- Green Up® and Green Up Plus® – loan options with benefits that become available when a Borrower commits to completing qualifying energy and water conservation measures identified in a Green Assessment® or a Green Assessment Plus® report (collectively, the Green Reports)
- Green Certified – a loan option with benefits that are available when the Borrower's Property has a Green Building Certificate, as described in Section 55.2
- Green Rebate – a rebate that is available when the Borrower obtains an ENERGY STAR® Score
- Green Retrofits – 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
- C-PACE Consent – Freddie Mac's consent to the Borrower's pursuit of C-PACE financing

The Borrower may elect to pursue only one of the Green Advantage offerings, and the related Mortgage must meet the requirements for such offering set forth in this chapter.

## 24.2 Eligibility for Green Advantage offerings (08/17/23)

### a. Green Up and Green Up Plus (08/17/23)

- Conventional Cash Mortgages and TAH Cash Preservation Mortgages are eligible for Green Up and Green Up Plus.
- The Mortgages can be fixed-rate or floating-rate, with a 5-year, 7-year or a 10-year term.

SBL Mortgages, MHC Mortgages, Seniors Housing Mortgages, Supplemental Mortgages, and Student Housing Mortgages are not eligible for Green Up or Green Up Plus.

### b. Green Certified (02/18/21)

Conventional Cash Mortgages and TAH Cash Preservation Mortgages that meet the affordability criteria provided in the [term sheet](#) are eligible for Green Certified.

### c. Green Rebate and C-PACE Consent (10/12/17)

The Seller/Servicer must contact its Freddie Mac account manager to determine Mortgage eligibility for Green Rebate and C-PACE Consent.

### d. Green Retrofits (02/18/21)

The following Mortgages are eligible for Green Retrofits:

- Conventional Cash Mortgages, if the Property satisfies the requirements for "Conventional Green Retro Qualifications" as determined by the [Freddie Mac](#)

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[Affordability Test](https://mf.freddie.mac.com/lenders/uw/affordability_resources.html) posted at [https://mf.freddie.mac.com/lenders/uw/affordability\\_resources.html](https://mf.freddie.mac.com/lenders/uw/affordability_resources.html) (e.g., 50 percent of the Property's units are affordable at 60 percent AMI based on the market)

- TAH Cash Preservation Mortgages

Additionally, the Mortgages must be fixed-rate with a 10-year term.

SBL Mortgages, MHC Mortgages, Seniors Housing Mortgages, Supplemental Mortgages and Student Housing Mortgages are not eligible for Green Retrofits.

## 24.3 Description of Green Advantage offerings (06/17/21)

### a. Green Up and Green Up Plus loan options (12/17/19)

The process for using the Green Up and Green Up Plus loan options is as follows:

- The Green Consultant prepares a Green Report as described in Chapter 65.
- The Green Report identifies energy and water conservation measures.
- The Borrower commits to complete sufficient energy and/or water improvements from the measures listed in the Green Report to result in a projected minimum energy or water consumption savings of 30 percent based on whole building consumption, provided that a minimum 15 percent of savings must be in energy consumption (Minimum Consumption Savings Threshold).
- Borrower must retain a Benchmarking Data Consultant for the life of the loan to collect, input and monitor the energy and water usage in accordance with Section 39.10.
- The energy and water improvements that the Borrower commits to complete will be identified as Green Improvements in the Green Improvements Rider to the Loan Agreement.
- The Borrower must escrow 125 percent of the estimated cost of the Green Improvements as part of the Repair Reserve.
- Work on the Green Improvements must be completed within two years, with the exception of Green Improvements for Value-Add Mortgages, Mod Rehab and Preservation Rehab Mortgages, which must be completed in accordance with Freddie Mac's requirements for those products.
- If Freddie Mac purchases the Mortgage, within 30 days of the Freddie Mac Funding Date, Freddie Mac will reimburse the Seller up to a maximum amount of \$4,000 for the cost of the Green Report, even if the Borrower does not commit to making the energy and water conservation measures identified in the Green Report.

To qualify for either the Green Up or the Green Up Plus loan options, the Property must meet all eligibility requirements as determined by Freddie Mac, including the Minimum Consumption Savings Threshold. The Seller/Service must contact its Freddie Mac account



manager for all eligibility criteria. The Borrower, through the Benchmarking Data Consultant, will be required to provide Benchmarking Metrics to Freddie Mac on an annual basis. The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer with respect to the benchmarking process are found in the Green Improvements Rider attached to the Loan Agreement.

Green Improvements are considered to be repairs for monitoring and reporting purposes. See Section 39.4. Additional Servicing requirements relating to Green Improvements are found in Section 39.10.

**b. Green Certified (02/18/21)**

A Fixed-rate Mortgage with a 10-year term that is secured by a Property with a Green Building Certificate may be eligible to benefit from the Green Certified option if 50 percent of the Property's units are affordable at the AMI based on the market, as calculated using the [Freddie Mac Affordability Test](https://mf.freddiemac.com/lenders/uw/affordability_resources.html), located at [https://mf.freddiemac.com/lenders/uw/affordability\\_resources.html](https://mf.freddiemac.com/lenders/uw/affordability_resources.html) and the Borrower delivers to the Seller a copy of the Green Building Certificate for delivery by the Seller/Servicer in the underwriting package.

**c. Green Rebate (10/12/17)**

The Borrower will be entitled to receive a \$5,000 rebate from Freddie Mac at the time Freddie Mac purchases the Mortgage if the Borrower delivers to the Seller an ENERGY STAR® Score for the Property prior to loan origination.

**d. C-PACE Consent (02/28/19)**

Freddie Mac approves C-PACE financing on those Mortgages which Freddie Mac may consider (i) purchasing a Mortgage for which C-PACE financing has been obtained, or (ii) approving C-PACE financing on a Mortgage that has been purchased by Freddie Mac, provided the C-PACE program is in compliance with the following requirements:

**1. Verification of C-PACE Program**

The Seller/Servicer must verify that the governing municipality offers a C-PACE program for which the Borrower and/or the Property qualify. The Seller/Servicer must:

- Obtain and review the documents required for C-PACE financing
- Include in the applicable underwriting package an energy audit or feasibility study for the Property, a technical review/report detailing the projected savings and the documentation required in the C-PACE Analysis

The C-PACE program must be in force at the time the Seller/Servicer submits either the full underwriting package to Freddie Mac or the consent request to approve C-PACE financing on a Mortgage that Freddie Mac already owns.

**2. Conditions for Freddie Mac approval**



In order for C-PACE financing to be acceptable, the following are the minimum conditions that must be satisfied:

- a. The proposed energy improvements must be consistent with the purpose of the C-PACE program or acceptable to the applicable State or local agency.
- b. Both the Borrower and the Property meet the applicable eligibility requirements for the C-PACE program.
- c. The DCR and LTV of the combined debt of the loan and the C-PACE financing must satisfy Freddie's Mac's then current requirements for the C-PACE program.
- d. The energy upgrades to the Property must result in a "Savings to Investment Ratio" greater than one (the projected lifetime savings from the energy measures must exceed the total investment over the full term of the C-PACE financing).
- e. The energy upgrades must be permanently affixed to the Property with the exception of district heating and cooling systems and microgrids.
- f. The Borrower must repay the C-PACE financing through property tax assessments on the Property, which payments will be escrowed.
- g. The C-PACE financing must provide that repayment will be amortized over the term of the C-PACE financing and not require a balloon payment at maturity.
- h. The C-PACE financing must not be secured by a mortgage on the Property.
- i. The State or local agency providing the C-PACE financing must not be permitted to accelerate the C-PACE financing for any default under the C-PACE program.
- j. The C-PACE program must provide that it will provide prompt notice to the mortgage lender of any default under the C-PACE financing.
- k. The C-PACE program must allow the mortgage lender not less than a 30-day right to cure a default under the C-PACE financing.
- l. The terms of the C-PACE program must require the Borrower to have received the mortgage holder's consent before the Borrower can obtain financing.
- m. The C-PACE financing must not be subject to reduction or termination for anything other than a monetary default.
- n. The municipality must not be permitted to foreclose on the Property without notice of foreclosure being delivered to Freddie Mac, its successors or assigns no less than 30 days prior to foreclosure.
- o. If C-PACE financing has been approved, the Mortgage will provide that Borrower and the Property must remain in compliance with the C-PACE financing terms.



- p. There must be no defaults or Events of Default under the Loan Agreement or any other agreements relating to Freddie Mac's loan on the Property.
- q. In the event the C-PACE financing is in place at the origination of the loan, the C-PACE lender must deliver an estoppel certificate to the Seller no less than 10 days prior to the Origination Date in a form acceptable to Freddie Mac. The estoppel certificate must be dated no earlier than 30 days prior to the Origination Date and must include:
  - i. The date the C-PACE financing was made,
  - ii. The original principal amount of the C-PACE financing,
  - iii. The interest rate,
  - iv. Terms from repayment,
  - v. Whether the Borrower has met its obligations under the C-PACE financing, and
  - vi. Any additional information about the C-PACE financing that a lender would be interested in knowing.

Freddie Mac may require additional provisions in the estoppel certificate based on Freddie Mac's review of the terms and conditions of the C-PACE financing.

The Seller must submit the approved and executed estoppel certificate to Freddie Mac at final delivery of the Mortgage.

**e. Green Retrofits (06/17/21)**

To qualify for a Green Retrofits benefit, the Property securing the Mortgage must meet all eligibility requirements as determined by Freddie Mac, including that the Property currently has in place energy and/or water efficiency improvements that:

- Have an expected minimum 15 percent energy and/or water consumption savings at the Property
- Have been made to the Property within the current calendar year and the preceding two calendar years from the completion date of [Form 1209, Green Retrofits Certification](#)

The Borrower may be required to provide Freddie Mac copies of bills and invoices evidencing completion of the improvements upon Freddie Mac's request.

# Multifamily Seller/Service Guide

## Chapter 25

### Originating a Targeted Affordable Housing Tax-Exempt Loan



#### 25.1 [Overview \(08/17/23\)](#)

- a. [Description of chapter \(08/17/23\)](#)
- b. [Loan structure \(08/17/23\)](#)
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## 25.1 Overview (08/17/23)

### a. Description of chapter (08/17/23)

This chapter provides the requirements for Targeted Affordable Housing (TAH) Seller/Service providers who are originating a Mortgage under the TAH Tax-Exempt Loan (TEL) Purchase Program utilizing the prior approval model.

This chapter describes:

- The requirements and procedures that the Seller must follow to originate, deliver, and service a TEL
- The characteristics that the loan structure must have in order for Freddie Mac to purchase the TEL

The Seller and Freddie Mac will both rely on Single Counsel for TELs. See Section 25.2 for a description of services Single Counsel may provide for a TEL transaction and the fees associated with such services.

With respect to TELs:

- All references to Seller's counsel in this chapter should be deemed to refer to Single Counsel.
- All references to "Loan Agreement" in this chapter should be deemed to refer to the Continuing Covenant Agreement published under "TEL" at [mf.freddie.com/lenders/legal/tah-documents.html](https://mf.freddie.com/lenders/legal/tah-documents.html).
- All references to other Loan Documents in this chapter will be deemed to refer to the documents published under "TEL" at [mf.freddie.com/lenders/legal/tah-documents.html](https://mf.freddie.com/lenders/legal/tah-documents.html).
- Seller will be deemed to have made to Freddie Mac all of the Seller/Service provider Representations and Warranties set forth in this Guide, as well as those found on [mf.freddie.com](https://mf.freddie.com), which are incorporated by reference pursuant to Chapter 5, except that the Seller/Service provider Representations and Warranties regarding (a) authorization and execution of documents and (b) enforceability of documents will apply with respect to each of the Loan Documents.

See [Exhibit 2](#), Origination Guidelines for Targeted Affordable Housing Mortgages for additional information about the types of affordability components that are available to TAH Seller/Service providers.

### b. Loan structure (08/17/23)

The TAH TEL Purchase Program requires a back-to-back loan structure. First, the Seller originates and funds the TEL to a governmental lender. The TEL is evidenced by a tax-exempt governmental note delivered by the governmental lender to Seller, which must bear interest at a fixed rate. The governmental lender will use the proceeds of the TEL to fund a separate mortgage loan to the Borrower with matching economic terms. The TEL will be a nonrecourse obligation of the governmental lender secured solely by receipts and revenues from the mortgage loan to the Borrower and the collateral pledged therefor. The Borrower's payment

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obligations in respect of the mortgage loan will be evidenced by a Note delivered to the governmental lender and are secured by a Security Instrument encumbering the Property in favor of the governmental lender. The governmental lender will endorse the Note and assign the Security Instrument to a fiscal agent as security for the TEL. If Freddie Mac purchases the TEL as evidenced by the tax-exempt governmental note, then payments made by the Borrower under its mortgage loan documents will be collected by the Servicer and paid to Freddie Mac, as owner of the TEL, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver the Borrower's loan payments to the fiscal agent, and the fiscal agent will pay Freddie Mac according to its instructions. The Servicer will retain the Servicing Spread and any recurring fees of other parties to the transaction that are payable from monthly collections under the transaction documents, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver any recurring fees of other parties to the transaction to the fiscal agent, and the fiscal agent will pay such other parties according to the transaction documents.

**c. Loan purpose (08/17/23)**

A Mortgage is eligible for purchase by Freddie Mac under the TAH TEL Purchase Program if it is originated for the purpose of:

- New construction (but only pursuant to a Forward Commitment under Chapter 25A)
- Acquisition and rehabilitation
- Refinancing through a refunding of existing tax-exempt bonds or an existing TEL

**d. Investment quality (08/17/23)**

Each Mortgage to be delivered to Freddie Mac under the TAH TEL Purchase Program must have characteristics that demonstrate investment quality as described in Section 10.7.

**e. Preservation Rehabilitation for TEL Mortgages (08/17/23)**

A TEL with newly issued 4% LIHTC is eligible for the Preservation Rehabilitation product as described in Section 19.2(e). All Preservation Rehabilitation Mortgages submitted for purchase under the TAH TEL Purchase Program must comply with the requirements of Section 19.2(e) as well as with the requirements of this chapter. The following clarifications to the requirements of Section 19.2(e) apply to TELs:

- All work must be completed and the Property must reach stabilization within 24 months of the Origination Date or, if earlier, within the term of the TEL.
- Freddie Mac purchases TELs that finance the entire cost of the anticipated rehabilitation prior to the commencement of rehabilitation.

**f. Combination financing (08/17/23)**

Combination financing is the use, for one Property, of a tax-exempt loan and either a cash Mortgage or a taxable governmental loan. It may be utilized for new tax-exempt debt allocations or for refundings. In a new TEL transaction or a refunding, combination financing may allow placement of total debt that exceeds the available tax-exempt debt allocation.



The Seller must underwrite the TEL and the cash Mortgage or taxable governmental loan as a single financing, secured (in the case of a taxable governmental loan) by a single security instrument or (in the case of a cash Mortgage) by separate security instruments that are cross-defaulted. The Seller must neither consider nor underwrite the cash Mortgage or taxable governmental loan as secondary debt.

The following conditions also apply:

- The taxable portion must have a term no longer than the TEL.
- The combination of both the tax-exempt and taxable portions of the financing will be treated as a single exposure in applying LTV, DCR and the other credit parameters of the TEL product.
- Freddie Mac takes into account the value of the tax-exempt financing in its calculation of the LTV; however, it will not make any adjustment for the taxable portion of the financing.

**g. TEL Loan Document forms (08/17/23)**

The required forms of all published documents and riders applicable to the TAH TEL Purchase Program are shown on the Currently Acceptable Multifamily Loan Documents – TEL Execution list at [mf.freddiemac.com](http://mf.freddiemac.com). The Loan Documents published under “TEL” at [mf.freddiemac.com/lenders/legal/tah-documents.html](http://mf.freddiemac.com/lenders/legal/tah-documents.html) will be used for TEL transactions. Any modifications to, or deviations from, the published TEL documents are subject to Freddie Mac’s prior approval. Any modifications to, or deviations from, the standard TEL structure are also subject to Freddie Mac’s prior approval. Freddie Mac reserves the right to require that additional provisions be included in the Loan Documents for a specific transaction or to decline to approve individual provisions of the Loan Documents.

**h. Bond counsel opinion (08/17/23)**

Prior to its purchase of the TEL, Freddie Mac must receive an unqualified opinion, satisfactory to Freddie Mac, from a nationally recognized bond counsel as to:

- The authorization and valid issuance of the tax-exempt governmental note
- The validity of the lien on the pledged security for the repayment of the governmental note under the funding loan agreement
- The excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note
- Freddie Mac’s right to rely upon the opinion, or alternatively, a reliance letter addressed to Freddie Mac giving Freddie Mac the right to rely upon the opinion of the bond counsel

**i. Subordinate Debt (08/17/23)**

With respect to subordinate debt, the requirements of Section 19.2(f) apply.



**j. Securitization of Mortgages (08/17/23)**

The provisions of Section 17.1(d) apply.

**k. Delivery options (08/17/23)**

See Section 25.3.

**l. Minimum Origination Fee (08/17/23)**

The provisions of Section 17.1(f) apply.

**m. Other requirements (08/17/23)**

All Mortgages submitted for purchase under the TAH TEL Purchase Program must comply with the requirements of Chapters 8, 9 and 10 as well as with the requirements of this chapter.

**25.2 Single Counsel for TEL transactions (08/17/23)**

**a. Engagement of Single Counsel (08/17/23)**

Freddie Mac engages Single Counsel to jointly represent Freddie Mac and the Seller in connection with the TEL transaction. Such representation may include the following services:

- Review of and advice regarding any existing loan/bond documents
- Advice concerning structure of the proposed transaction
- Assistance in negotiations with the other parties to the proposed transaction
- Participation in telephone calls related to the proposed transaction
- Preparation of (i) the Legal Issues Analysis, together with any other required legal analyses and (ii) the analysis of exceptions to title insurance coverage, all in accordance with the requirements of this Guide
- Preparation of documents related to the proposed transaction
- Review of documents prepared by other parties, including the funding loan agreement, tax-exempt governmental note, project loan agreement, tax regulatory agreement and any other documents pertaining to the governmental lender, each of which will be prepared by bond counsel
- If required by Freddie Mac, attendance at the closing of the proposed transaction as Freddie Mac's and Seller's representative

**b. Amount of fees and Expenses (08/17/23)**

The fee of Single Counsel is a negotiated fee determined by Freddie Mac. The fee includes all reasonable out-of-pocket expenses (including photocopying, messenger and overnight



deliveries) incurred by such legal counsel in connection with such representation. The fee does not include any travel expenses incurred by counsel in connection with its participation in the proposed transaction. In the event the proposed transaction does not close, the fixed fee will be reduced to the actual time value of Freddie Mac's counsel, if such time value is less than the fixed fee. If significant unanticipated complications occur in the proposed transaction, Freddie Mac may adjust the fee upward to reflect the additional services required. Such additional complications include:

- More than limited negotiation of loan or mortgage documentation
- More than limited negotiation with the governmental lender regarding regulatory requirements or intercreditor arrangements
- Unexpected or unforeseen changes in facts or structure that materially increase the legal work required
- Existence of a ground lease, subordinate debt, a housing assistance payment contract, existing regulatory agreements or a tax abatement
- Involvement of parties inexperienced in tax-exempt financing transactions
- Failure of the Seller to perform its functions in a timely manner
- More than one Property being financed
- Closing occurring more than six months after the date of the Seller's Mortgage application with the Borrower

**c. Payment of fees and expenses (08/17/23)**

The Seller is obligated to pay the fees and expenses of Single Counsel without regard to either the final structure or consummation of the proposed transaction. In addition, the Seller is obligated to reimburse Freddie Mac for such fees upon written notification from Freddie Mac that such sums are due. The Seller may, at its option, obtain from the Borrower the funds with which to pay or reimburse the fees and expenses of Single Counsel. Nevertheless, Seller is responsible for the payment of Single Counsel's fees and expenses regardless of whether the Seller obtains a deposit for such funds from the Borrower or is successful in obtaining such funds at a later date.

The fees and expenses of Single Counsel are payable, in full, upon the earlier of:

- The closing of the proposed transaction, or
- Any decision by the Seller or by Freddie Mac, in its sole discretion, not to proceed further with the proposed transaction, or
- The Seller's determination, made at the Seller's sole discretion, that the proposed transaction has been abandoned or that the completion of the proposed transaction is not feasible.



## 25.3 Loan Submission Template (LST), Quote, Underwriting Package, Commitment, Locking the Rate, Delivery; Approval by TAH Underwriting Supervisor (08/17/23)

Freddie Mac offers a standard delivery option for TEL Mortgages under Chapter 27. Except as stated below, the provisions of Chapter 27 apply to TEL Mortgages.

### a. Debt service ratio (08/17/23)

The calculation of the underwritten interest rate is outlined below:

Characteristics	Underwritten Interest Rate
Fixed-rate TEL	Fixed rate necessary to repay loan + Servicing Spread
Taxable governmental loan (if combination financing)	Fixed rate necessary to repay loan + Servicing Spread

### b. Vacancy and collection loss rate (09/28/18)

With respect to vacancy and collection loss rates, the requirements of Section 19.2(a)(2) apply.

### c. Maximum term and amortization period (09/28/18)

For LIHTC Properties, the maximum term and amortization period is 35 years. For non-LIHTC Properties, the maximum term and amortization period is 30 years.

### d. Adjustments to the capitalization rate for a Property with TEL financing (09/28/18)

Freddie Mac may adjust the capitalization rate recommended by the appraiser to take into account the value attributable to the below-market interest rate on the proposed Mortgage. The adjusted capitalization rate will not be more than 100 basis points below the market capitalization rate for a conventional property. If there is a taxable component to the financing, this adjustment will be done proportionately. Freddie Mac does not permit any other adjustments to value based on the Property's entitlement to LIHTC.

### e. Additional requirements for refundings or refinancings of tax-exempt debt (08/17/23)

If the proposed transaction is a refunding or refinancing of a prior tax-exempt bond or TEL transaction and requires review and analysis of the existing bond documents by Freddie Mac's outside legal counsel, the Seller will be obligated to pay the fees and expenses of Freddie Mac's outside legal counsel associated with such review, pursuant to Section 25.2. To the extent applicable, all of the conditions precedent with respect to the refunding of any prior indebtedness of the governmental lender used to finance the project must have been satisfied prior to final delivery.

### f. Approval by TAH Underwriting Supervisor (08/17/23)

The LST, preliminary underwriting package, and full underwriting package, as applicable, must each be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.



**g. Conditions Precedent to Rate Lock (08/17/23)**

Prior to locking the rate, Seller must deliver each of the following items in form acceptable to Freddie Mac:

- Final payment and performance bonds meeting the requirements of Section 19.2(e)(14)
- A proforma rehabilitation escrow fund draw schedule
- A rent schedule meeting the requirements of this Guide dated no more than 30 days prior to the date of Rate Lock
- [Form 1133, Certification of Borrower Insurance Compliance](#) and evidence of property insurance for the Property meeting the requirements of this Guide
- Drafts of the Loan Documents required by the Letter of Commitment in substantially final form
- Drafts of the required opinions of bond counsel, counsel to the fiscal agent, and counsel to the Borrower, SPE Equity Owner (if applicable) and Guarantor in substantially final form
- A pro forma title insurance policy which takes no exceptions for materialmen's or mechanics' liens by any party and otherwise meets the requirements of this Guide
- A survey of the Property, if one is required by the Letter of Commitment, meeting the requirements of this Guide
- Drafts of the organizational documents of the Borrower, including Borrower's amended and restated operating or partnership agreement (as applicable), in substantially final form
- Final drafts (or copies of executed versions, as applicable) of all documentation concerning approved Subordinate Financing (if any) and laundry and commercial leases, including such subordination agreements as are required by the Letter of Commitment
- Final drafts of the land use restriction agreements or similar instruments to be executed by the Borrower in connection with the TEL
- Evidence of final approval from the governmental lender
- For LIHTC properties, a copy of the 42(m) letter for the Property
- For LIHTC properties, evidence of final approval from the LIHTC equity investor
- Confirmation from the Borrower that, after appropriate due diligence and inquiry, the Borrower is not aware of any matter that would prevent the closing of the transaction, the delivery of the Loan Documents (including the delivery of the tax-exempt governmental note by the governmental lender), or the funding of any equity or Subordinate Financing (as applicable) required for closing, in each case in accordance with the requirements of the



Letter of Commitment and the Loan Documents, along with an acknowledgment from the Borrower that Rate Lock is occurring in material reliance upon the foregoing confirmation

**h. Yield maintenance period (08/17/23)**

The provisions of Section 27.30(c) are inapplicable to TEL Mortgages.

**25.4 Final delivery; Funding (08/17/23)**

The provisions of Chapter 32 apply, with the exception that the Final Delivery Table of Contents refers to the Final Delivery Package Table of Contents –Immediate Funding Tax-Exempt Loan.

**25.5 UCC continuation and termination statements (08/17/23)**

The Seller's responsibility for filing UCC (Uniform Commercial Code) continuation and termination statements applies only to financing statements under which Freddie Mac is the secured party and does not apply to financing statements under which the governmental lender or the fiscal agent is the only secured party. With respect to any financing statement under which Freddie Mac is the secured party, the Seller must not file a termination statement until the obligations of the governmental lender under the tax-exempt governmental note have terminated and all obligations of the Borrower under the Note and the project loan agreement have been satisfied. See Section 29.4 and the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase) for further information about UCC financing statements.

**25.6 General Servicing policy for TELs (08/17/23)**

Unless otherwise stated in the Letter of Commitment or this chapter, the Servicing of each TEL must meet the requirements of Chapters 36 and 38 through 43.

**a. Servicing Spread (08/17/23)**

The monthly Servicing Spread will be the servicing fee stated in the Letter of Commitment. The Servicing Spread is a fee payable under the project loan agreement. The Servicer will earn the Servicing Fee when it collects the Borrower's payments under the project note and the project loan agreement.

**b. Reserved (08/17/23)**

**c. Subordinate financing, partial release, condemnation or easement (09/28/18)**

Any required submission from the Seller to Freddie Mac regarding a proposed subordinate financing, partial release, condemnation or easement must include a summary of any applicable provisions of the documents associated with the loan transaction.

**d. Advance notice of prepayment (09/28/18)**

The Servicer must forward a copy of any advance notice of prepayment to the fiscal agent at the same time that the Seller forwards that notice to *Multifamily Loan Accounting*.





**e. Evasion of prepayment restrictions (04/30/19)**

The Servicer must notify the fiscal agent and *Multifamily Asset Management, Loan Accounting* of any attempt by the Borrower to avoid the prepayment restrictions.

**25.7 Billing and collections (08/17/23)**

The Servicer must diligently attempt to collect the amounts described in this section, at the times they are due and payable under the loan documents.

**a. Borrower payments (08/17/23)**

Three Business Days before the first Business Day of each month, the Servicer must compute and notify the Borrower of the amounts payable by the Borrower to the Servicer under the Note and project loan agreement no later than two Business Days before the first Business Day of the month in order to (i) pay to Freddie Mac all amounts due under the tax-exempt governmental note, (ii) pay to the Servicer the monthly Servicing Spread, and (iii) pay to the governmental lender and the fiscal agent their respective monthly fees, all of such payments being due on the first Business Day of the following month.

**b. Reserved (08/17/23)**

**c. Other amounts (08/17/23)**

The Servicer must diligently attempt to collect all the following, at the times they are due and payable under the loan documents:

- Any monthly replacement reserve deposit
- Any monthly Reserve deposits required by the loan documents for taxes and insurance premiums
- Any other Reserve deposits required by the loan documents

**25.8 Reserves (08/17/23)**

The Reserves for each TEL must meet the requirements of Chapter 52.

**25.9 Application of payments (08/17/23)**

Unless otherwise stated, the application of payments for each TEL must meet the requirements of Chapter 53.

**a. Application of payments under the project loan agreement (08/17/23)**

The Servicer must apply all payments received under the project loan agreement in the following order unless otherwise instructed by Freddie Mac:

1. To the Servicing Spread



2. To the fiscal agent's and the governmental lender's fees
3. To prepayment premiums
4. To required deposits to the Replacement Reserve
5. To required Reserve deposits
6. To Freddie Mac (or the fiscal agent, as applicable), all amounts then due under the tax-exempt governmental note
7. To default interest
8. To other amounts due under the project loan agreement and/or continuing covenant agreement

**b. Reserved (09/28/18)**

**25.10 Remittances (08/17/23)**

Unless otherwise stated, remittances for each TEL must meet the requirements of Chapter 53.

So long as the tax-exempt governmental note is unpaid and in effect, the Servicer must remit, deposit or retain the funds collected under the loan documents and the continuing covenant agreement in accordance with this section.

On the second Business Day after the Servicer receives any payments due to Freddie Mac under the loan documents and/or the continuing covenant agreement, the Servicer must remit such payments to Freddie Mac via myOptigo® Servicer Remittance system, as described in Section 53.7.

The Servicer must make any remittance to the fiscal agent by wire transfer in accordance with instructions received from the fiscal agent.

The Servicer must remit any governmental lender or fiscal agent fee payable as provided in the project loan agreement and/or funding loan agreement.

The Servicer must retain any payments or deposits required for the Replacement Reserve and any other applicable Reserves for deposit into the appropriate Custodial Account.

The Servicer may retain the Servicing Spread.

**25.11 Accounting (08/17/23)**

Unless otherwise stated, accounting for each TEL must meet the requirements of Chapter 54.

**a. Partial payments (09/28/18)**

In the event of a partial payment entailing a shortfall of over \$15 in an amount due to be remitted to Freddie Mac, the Servicer must notify *Multifamily Loan Accounting* of the shortfall. On the applicable remittance date, the Servicer must remit the partial payment to Freddie Mac, rather than holding the partial payment in suspense or escrow.



**b. Mortgage payoff quotes (09/28/18)**

If the Servicer receives a request for a payoff amount, the Servicer must:

- Notify the fiscal agent of all Borrower requests for a quote of a payoff amount or prepayment premium for the Mortgage
- Request a copy of any such quote from the fiscal agent
- Notify *Multifamily Loan Accounting Payoffs* of the Borrower's request

The Servicer shall not consent to a prepayment of the Mortgage without Freddie Mac's prior written consent.

**c. Payoff quotes (09/28/18)**

The Servicer must respond to any Borrower request for a quote of amounts due with respect to a TEL in the same manner as a request for a quote of amounts due under a Mortgage purchased by Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program.

**d. Prepayment premium quotes (09/28/18)**

The Servicer must confirm with *Multifamily Loan Accounting Payoffs* the calculation of any prepayment premium before quoting it to the Borrower.

**e. Reserved (08/17/23)**

**25.12 Reporting (09/28/18)**

Unless otherwise stated, reporting for each TEL must meet the requirements of Chapter 54.

**a. Loan-level transactions (09/28/18)**

1. For Borrower payments received prior to the 10th day of the month, the Servicer's report of loan-level transactions must reach Freddie Mac no later than the 10th day of the month in which the Servicer receives any payment by or on behalf of the Borrower under the project loan agreement. If no payments are received, the Servicer's report must reach Freddie Mac not later than the third Business Day after the 15th day of the month. Each report of a loan-level transaction must include the following:
  - Reductions in the UPB of the Mortgage since the previous month's accounting cut-off date
  - Interest paid on the tax-exempt governmental note since the previous month's accounting cut-off date
  - Any other amounts collected by the Servicer in connection with the transaction

The Servicer's report may be based upon information received from the fiscal agent.



2. For Borrower payments received on or after the 10th day of the month, the Servicer's report of loan-level transactions must reach Freddie Mac not later than the third Business Day after the Servicer receives any payment by or on behalf of the Borrower under the project loan agreement. If no payments are received, the Servicer's report must reach Freddie Mac not later than the third Business Day after the 15th day of the month. Each report of a loan-level transaction must include the following:

- Reductions in the UPB of the Mortgage since the previous month's accounting cut-off date
- Interest paid on the tax-exempt governmental note since the previous month's accounting cut-off date
- Any other amounts collected by the Servicer in connection with the transaction

The Servicer's report may be based upon information received from the fiscal agent.

**b. Other amounts (09/28/18)**

The Servicer must report, as instructed by Freddie Mac, all other amounts remitted by the Servicer that cannot be reported as part of a loan-level transaction.

**c. Principal reporting errors (09/28/18)**

If the Servicer erroneously reports a principal reduction, the Servicer must notify *Multifamily Loan Accounting* and request instructions on how to correct the error.

**25.13 Reserved (09/28/18)**

**25.14 Regulatory agreement compliance monitoring (08/17/23)**

The Servicer must:

- Obtain a copy of any quarterly, annual or other periodic certificate of compliance with the regulatory agreement or other evidence of compliance submitted by the Borrower to the governmental lender or its designee
- With its annual risk assessment, submit to *Multifamily Asset Management, Asset Performance and Compliance* a copy of this evidence of compliance with the regulatory agreement
- If no annual risk assessment is required by Freddie Mac, provide *Multifamily Asset Management, Asset Performance and Compliance* with a copy of evidence of compliance with the regulatory agreement within 30 days after the later of (i) the date by which the Borrower is required to submit the evidence of compliance to the governmental lender or its designee or (ii) the date on which the Borrower actually submits the evidence to the governmental lender or its designee
- Take any other steps that Freddie Mac directs to verify the Borrower's compliance with the regulatory agreement

# Multifamily Seller/Service Guide

## Chapter 25A

### Originating a Targeted Affordable Housing Tax-Exempt Loan under a Forward Commitment



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## 25A.1 Overview of Forward Commitments for Tax-Exempt Loans (02/27/25)

### a. Availability of Forward Commitments (08/17/23)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Tax-Exempt Loan (TEL) originated under the TAH TEL Purchase Program pursuant to a Forward Commitment (Forward TEL). To be eligible to enter into a Forward Commitment for a Forward TEL, a TAH Seller/Servicer must meet the requirements specified in Section 3.13.

The Seller and Freddie Mac will both rely on Single Counsel for TELs. See Sections 25.2, 25A.3(d), and 25A.4 for a description of services Single Counsel may provide for a Forward TEL transaction and the fees associated with such services.

With respect to Forward TELs:

- All references to Seller's counsel in this chapter should be deemed to refer to Single Counsel.
- All references to "Loan Agreement" in this chapter should be deemed to refer to the Continuing Covenant Agreement published under "TEL" at [mf.freddiemac.com/lenders/legal/tah-documents.html](https://mf.freddiemac.com/lenders/legal/tah-documents.html).
- All references to other Loan Documents in this chapter will be deemed to refer to the documents published under "TEL" at [mf.freddiemac.com/lenders/legal/tah-documents.html](https://mf.freddiemac.com/lenders/legal/tah-documents.html).
- Seller will be deemed to have made to Freddie Mac all of the Seller/Servicer Representations and Warranties set forth in this Guide, as well as those found on the Freddie Mac website at [mf.freddiemac.com](https://mf.freddiemac.com), which are incorporated by reference pursuant to Chapter 5, except that the Seller/Servicer Representations and Warranties regarding (a) authorization and execution of documents and (b) enforceability of documents will apply with respect to each of the Loan Documents. All such Seller/Servicer Representations and Warranties will be deemed to have been made as of the (1) the date of the Forward Commitment, (2) the date of Rate Lock, (3) the date of the Conversion, (4) the date on which Seller delivers the TEL to Freddie Mac, and (5) the Freddie Mac Funding Date, and all references in such Seller/Servicer Representations and Warranties to the date of "final delivery" will be deemed to refer to the Freddie Mac Funding Date.

See [Exhibit 2, Origination Guidelines for Targeted Affordable Housing Mortgages](#), for additional information about the types of affordability components that are available to TAH Seller/Servicers.

### b. Loan structure (08/17/23)

A Forward TEL requires a back-to-back loan structure. First, a construction lender originates and funds the TEL to a governmental lender. The TEL is evidenced by a tax-exempt governmental note delivered by the governmental lender to the construction lender, which may bear interest at a variable rate or, with the consent of bond counsel, a fixed rate.

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During the Permanent Phase (defined below) the tax-exempt governmental note will bear interest at a fixed rate. The governmental lender will use the proceeds of the TEL to fund a separate mortgage loan to the Borrower with matching economic terms. The TEL will be a nonrecourse obligation of the governmental lender secured solely by receipts and revenues from the mortgage loan to the Borrower and the collateral pledged therefor. The Borrower's payment obligations in respect of the mortgage loan will be evidenced by a Note delivered to the governmental lender and are secured by a Security Instrument encumbering the Property in favor of the governmental lender. The governmental lender will endorse the Note and assign the Security Instrument to a fiscal agent as security for the TEL. The construction lender is responsible for administering the TEL and the Borrower's mortgage loan during the construction phase of the improvements on the Property. Upon satisfaction of the Conditions to Conversion, the Seller will purchase the TEL from the construction lender. If Freddie Mac subsequently purchases the TEL from the Seller as evidenced by the tax-exempt governmental note, then payments made by the Borrower under its mortgage loan documents will be collected by the Servicer and paid to Freddie Mac, as owner of the TEL, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver the Borrower's loan payments to the fiscal agent, and the fiscal agent will pay Freddie Mac according to its instructions. The Servicer will retain the Servicing Spread and any recurring fees of other parties to the transaction that are payable from monthly collections under the transaction documents, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver any recurring fees of other parties to the transaction to the fiscal agent, and the fiscal agent will pay such other parties according to the transaction documents.

**c. Loan purpose (08/17/23)**

A Mortgage is eligible for purchase by Freddie Mac under the TAH TEL Purchase Program pursuant to a Forward Commitment if it is originated for the purpose of new construction or substantial rehabilitation. However, Preservation Rehabilitation Mortgages are not eligible for Forward Commitments.

Additionally, the Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of Rate Lock.

**d. Mortgage requirements applicable to Forward TELs (08/17/23)**

Except as otherwise stated in this chapter, a Forward TEL must meet all of the requirements of Chapter 25. In addition, see the following sections in this Guide for additional requirements:

- i. Section 19A.1(c): Freddie Mac's review of construction documentation
- ii. Section 19A.3: Forward Commitment Property Inspection
- iii. Section 19A.4: Construction lender
- iv. Section 19A.9: Construction Monitoring
- v. Section 19A.11: Complete Property Inspection





- vi. Section 19A.17: Late delivery; nondelivery (provided, however, that the last bullet point of Section 19A.17(d) is inapplicable to Forward TELs)

**e. Freddie Mac's review of construction documentation (02/27/25)**

Seller must submit the following for Freddie Mac to review as part of the full underwriting package:

- i. A preconstruction analysis report, as described in Section 63.3(a)
- ii. A narrative summary, including a property and site description and a summary analysis of the development team's qualifications, that is prepared by the Chief Architect/Engineer, as outlined in Section 63.3(c) and [Exhibit 1.32](#)

**25A.2 Description of a Forward Commitment (08/17/23)**

A Forward Commitment provides a single source of construction and permanent financing for new construction or substantial rehabilitation of a Property that qualifies as a Targeted Affordable Housing Product. In this chapter, the term "construction" will include substantial rehabilitation. Only an Unfunded Forward Commitment is allowed in the TAH TEL Purchase Program. In an Unfunded Forward Commitment, Conversion does not occur, and Freddie Mac does not purchase the TEL, until construction has been completed and all Conditions to Conversion have been satisfied.

For a Forward TEL, the term of the "Construction Phase" begins on the Origination Date of the TEL and ends on the date of the Conversion (Conversion Date). The Conversion must occur on or before the "Forward Commitment Maturity Date" as set forth in the Forward Commitment, as such date may be extended by Freddie Mac pursuant to the terms of the Forward Commitment and the Construction Phase Financing Agreement. The term of the "Permanent Phase" begins on the Conversion Date and ends on the maturity date of the TEL. The Construction Phase and the Permanent Phase may be lengthened or shortened based on the actual Conversion Date.

The Forward Commitment is executed by the Seller and Freddie Mac. In it, Freddie Mac commits to locking the interest rate for the Permanent Phase, sets forth the maximum amount of the TEL during the Permanent Phase, determines the Forward Commitment Maturity Date, and describes any Conditions to Conversion and any conditions to its purchase of the TEL. The Seller commits to purchasing the tax-exempt governmental note from the construction lender when the project is complete and has satisfied the Conditions to Conversion. The Property must reach stabilization and meet the Conditions to Conversion set forth in Section 25A.7 before the TEL can convert to the Permanent Phase.

**25A.3 Fees (06/13/24)**

The provisions of this Section 25A.3 will apply to any Forward Commitment with a revision date between 8-1-2023 and 5-1-2024. For Fee Provisions for Forward Commitments with a revision date on or after 5-20-2024, see the Forward Commitment.

**a. Application Fee (06/13/24)**



The Seller must pay to Freddie Mac the Application Fee, as set forth in the Forward Commitment and in Section 27.6. If, at Conversion, the Actual Loan Amount (as defined below) exceeds the Rate Locked Maximum Funding Loan Amount stated in the Confirmation Sheet, then the Seller must pay to Freddie Mac the additional Application Fee described in the Conversion Acceptance Letter delivered by Freddie Mac pursuant to Section 25A.9 (“**Conversion Acceptance Letter**”) prior to the acceptance of the Conversion Acceptance Letter. The Application Fee is not refundable.

**b. Commitment Fee (08/17/23)**

The Seller is obligated to pay a refundable commitment fee (“**Commitment Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment. The Commitment Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock. At the option of the Seller, the Commitment Fee can be in the form of cash or a letter of credit. A letter of credit must satisfy the requirements set forth in Section 11.2. If the Mortgage is not delivered to Freddie Mac by the Mandatory Delivery Date in accordance with the Forward Commitment for any reason, the Commitment Fee, along with any interest accrued thereon, will be retained by Freddie Mac. If the Mortgage is delivered to Freddie Mac by the Mandatory Delivery Date and purchased by Freddie Mac, the Commitment Fee will be refunded in accordance with this Guide.

**c. Standby Fee (08/17/23)**

In addition to the Application Fee and the Commitment Fee, the Seller must pay a non-refundable standby fee (“**Standby Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment, for each year (or partial year, prorated) of the Construction Phase. The Standby Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock.

The Seller is also obligated to pay an additional Standby Fee to Freddie Mac with respect to any extension of the Forward Commitment Maturity Date. The additional Standby Fee must be delivered to Freddie Mac concurrently with the fully executed originals of each amendment to the Forward Commitment to effectuate such extension(s).

**d. Fees and expenses of Single Counsel (08/17/23)**

See Section 25.2 for a description of the applicable legal fees and expenses for Single Counsel. With respect to fees and expenses for Single Counsel at Conversion, the Seller must pay the legal fees and expenses (based on actual time and hourly rates) of Single Counsel for representing both Freddie Mac and the Seller in connection with the Conversion on or before the Conversion Date. The Seller may, at its option, obtain from the Borrower the funds with which to pay or reimburse the fees and expenses of Single Counsel in connection with Conversion. Nevertheless, Seller is responsible for the payment of Single Counsel’s fees and expenses regardless of whether the Seller obtains a deposit for such funds from the Borrower or is successful in obtaining such funds at a later date. See Section 25A.4 for further discussion of Single Counsel’s role and documentation responsibilities in the context of Forward TELs.

**25A.4 Single Counsel and Documentation Responsibilities (08/17/23)**



See Section 25.2 regarding general requirements for Single Counsel in TEL. Regarding Forward TELs and Conversions of Forward TELs, the following additional provisions apply:

1. Single Counsel will prepare the Construction Phase Financing Agreement to be effective on the Origination Date. Single Counsel will also prepare the relevant Loan Documents for the transaction and will attach those documents to the Construction Phase Financing Agreement.
2. Construction Lender's counsel will be responsible for preparing its construction loan agreement, loan disbursement agreement, security instrument and project note to be in effect during the construction phase, together with its other construction loan documents.

### **25A.5 Conditions Precedent to Rate Lock (08/17/23)**

Prior to locking the interest rate for the Permanent Phase, Seller must deliver each of the following items in form acceptable to Freddie Mac:

- i. Drafts of the Loan Documents required by the Forward Commitment in substantially final form
- ii. Drafts of the required opinions of bond counsel, counsel to the fiscal agent, and counsel to the Borrower, SPE Equity Owner (if applicable) and Guarantor in substantially final form
- iii. A pro forma title insurance policy which takes no exceptions for materialmen's or mechanics' liens by any party and otherwise meets the requirements of this Guide
- iv. A survey of the Property, if one is required by the Forward Commitment, meeting the requirements of this Guide
- v. Drafts of the organizational documents of the Borrower, including Borrower's amended and restated operating or partnership agreement (as applicable), in substantially final form
- vi. Final drafts (or copies of executed versions, as applicable) of all documentation concerning approved Subordinate Financing (if any) and laundry and commercial leases, including such subordination agreements as are required by the Forward Commitment
- vii. Final drafts of the land use restriction agreements or similar instruments to be executed by the Borrower in connection with the TEL
- viii. Evidence of final approval from the governmental lender
- ix. For LIHTC properties, a copy of the 42(m) letter for the Property
- x. For LIHTC properties, evidence of final approval from the LIHTC equity investor
- xi. Evidence of final approval from the construction lender to originate the TEL

### **25A.6 Extending the Forward Commitment (06/13/24)**

The provisions of Section 19A.10 apply, except for the following additional requirements:



- With respect to Section 19A.10(a), the first bullet point is inapplicable to Forward TELs with Forward Commitments having a revision date of 5-1-2024 or earlier.
- Freddie Mac may require, in its sole discretion, an opinion of bond counsel that the extension of the start date of the amortization schedule will not, in and of itself, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note.

## **25A.7 Conditions to Conversion (02/22/24)**

The provisions of Section 19A.12 apply to Conversions of Forward Commitments for TELs, except as otherwise stated below and in Section 25A.8. In addition, (i) wherever there is a reference in Section 19A.12 to “TAH Cash Conversion Underwriting Package”, it should be deemed to mean “TAH TEL Conversion Underwriting Package” and (ii) wherever there is a reference in Section 19A.12 to 9% LIHTC, it should be deemed to mean 4% LIHTC.

### **a. Property requirements for Conversion (02/22/24)**

#### **1. Title and Survey**

Freddie Mac will have received each of the following meeting the requirements of this Guide and otherwise acceptable to Freddie Mac:

- An update to the analysis of and recommendation as to the exceptions to title from the Seller and Single Counsel
- A commitment to insure together with a pro-forma endorsement for the final date-down endorsement for the title policy or a pro-forma for a new title policy, in either case insuring the lien of the Security Instrument, as amended and restated on the Conversion Date, which endorsement or policy contain no exceptions to title, except as may be approved by Freddie Mac and otherwise in conformance with Freddie Mac’s then-current title requirements
- An ALTA “as-built” survey of the completed construction and/or rehabilitation of the Improvements on the Property, prepared by a licensed surveyor, certified to the Seller, Freddie Mac and the title insurance company and which will otherwise conform with Freddie Mac’s then-current survey requirements

#### **2. Execution and Recordation of Documents**

The release or assignment to the Seller of any security interest of the construction lender must have been executed and recorded or delivered in escrow for recording under arrangements satisfactory to Freddie Mac, as applicable.

### **b. Amortization Schedules (08/17/23)**

Unless Conversion occurs on the Forward Commitment Maturity Date and at the Rate Locked Maximum Funding Loan Amount stated in the Confirmation Sheet, the Servicer will have prepared and delivered to Freddie Mac (with a copy to the fiscal agent) replacement amortization schedules for the project note and the tax-exempt governmental note.



**c. Requirements of Other Parties (08/17/23)**

All conditions to Freddie Mac's purchase of the tax-exempt governmental note set forth in the Loan Documents and all other requirements of the governmental lender, the fiscal agent and the construction lender in connection with Conversion must have been satisfied.

**d. Opinion of counsel to Borrower and Guarantor (08/17/23)**

Freddie Mac and the Seller will have received a final form of an opinion of counsel to the Borrower and Guarantor in form and substance acceptable to Freddie Mac and the Seller.

**e. Opinion of bond counsel (08/17/23)**

The governmental lender, the fiscal agent, Freddie Mac and the Seller will have received an opinion of bond counsel to the effect that the occurrence of Conversion will not, in and of itself, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note.

**f. Termination of Completion Guaranty (08/17/23)**

Any guaranty of completion executed by the Borrower, any Borrower Principal, any partner of the Borrower (if Borrower is a partnership), any member of Borrower (if Borrower is a limited liability company), the Borrower Principal(s) or the Guarantor, will terminate on the Conversion Date.

**g. Other Conversion Criteria (08/17/23)**

Any special terms or conditions specified in the Forward Commitment and in the Construction Phase Financing Agreement must be satisfied.

**25A.8 Determination of Actual Loan Amount; Mandatory paydown (06/13/24)**

**a. Actual Loan Amount (08/17/23)**

At Conversion, Freddie Mac will have determined the amount of the TEL which will be outstanding as of the Conversion Date, in its sole discretion, using Freddie Mac's underwriting standards and criteria as of the Conversion Date ("**Actual Loan Amount**"). Unless approved in writing by Freddie Mac, which waiver will be made by Freddie Mac in its sole discretion, the Actual Loan Amount will not exceed the Rate Locked Maximum Funding Loan Amount and will not be less than the Minimum Loan Amount at Conversion, each as set forth in the Confirmation Sheet.

If the Actual Loan Amount is (i) less than the Rate Locked Maximum Funding Loan Amount or (ii) less than the Minimum Loan Amount at Conversion and Freddie Mac, in its sole and absolute discretion, has nevertheless agreed to purchase the TEL, then the Borrower must demonstrate to Freddie Mac's satisfaction, in its sole and absolute discretion, that the Borrower has secured a source of funds acceptable to Freddie Mac ("**Additional Source of**



**Funds**”), to cover the difference between the outstanding principal amount of the TEL and the Actual Loan Amount (“**Loan Differential**”).

If the Borrower has the necessary funds or can secure an Additional Source of Funds to fund payment of the Loan Differential, the Borrower must make a prepayment of a portion of its mortgage loan so as to cause a corresponding prepayment of the TEL on or prior to the Conversion Date in an amount equal to the Loan Differential. Moreover, if the Borrower will incur additional debt to cover all or a portion of the Loan Differential in order to effectuate a paydown of the TEL, such additional debt must be subordinated to the TEL, and the terms, conditions and documentation of the additional debt must meet the requirements for Subordinate Financing set forth in this Guide.

**b. Additional Actual Loan Amount (06/13/24)**

If upon completion and lease up of the Property, the performance of the Property exceeds the pro-forma rents, occupancy and other criteria used by Freddie Mac to underwrite the TEL prior to the issuance of the Forward Commitment, the Seller may request at the time Seller delivers its TAH TEL Conversion Underwriting Package that the Actual Loan Amount be increased beyond the Rate Locked Maximum Funding Loan Amount as set forth in the Confirmation Sheet by an amount that does not exceed the Additional Actual Loan Amount Percentage listed in the Confirmation Sheet (or, if not listed in the Confirmation Sheet, then for those Forward Commitments with revision dates of 2-29-2024 or earlier, 10%) (the “**Additional Actual Loan Amount Percentage**”) of such Rate Locked Maximum Funding Loan Amount (any such increase referred to as the “**Additional Actual Loan Amount**”); provided, however, in no event will the Actual Loan Amount at Conversion exceed the amount of the TEL outstanding immediately prior to Conversion.

In connection with any such request, Seller will include in its TAH TEL Conversion Underwriting Package each of the following:

- Seller’s calculation of the Actual Loan Amount supporting the requested Additional Actual Loan Amount based on the performance of the Property
- A new Appraisal which complies with the requirements of Chapter 60, and which Appraisal supports the requested Additional Actual Loan Amount

Freddie Mac’s approval of any Additional Actual Loan Amount will be made in Freddie Mac’s discretion based on its underwriting criteria at the time of such request.

To the extent the requested Additional Actual Loan Amount is approved by Freddie Mac:

- The interest rate on such Additional Actual Loan Amount will be equal to the Permanent Phase Interest Rate determined at Rate Lock and specified in the executed and delivered Confirmation Sheet
- The Conversion Acceptance Letter delivered by Freddie Mac will set forth (i) the Additional Actual Loan Amount so approved and (ii) any other updated terms and conditions related to the Additional Actual Loan Amount (including the payment of an Application Fee related thereto) or otherwise with respect to the TEL





- Such approval is conditioned upon the opinion of bond counsel referenced in Section 25A.7(e) including an opinion to the effect that each of the increased Actual Loan Amount and revised amortization schedule delivered pursuant to Section 25A.7(b) will not, in and of themselves, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note

## **25A.9 TAH TEL Conversion Underwriting Package and Conversion Acceptance Letter (08/17/23)**

The provisions of Section 19A.13(b) and 19A.13(d) apply, except that (i) wherever there is a reference to “TAH Cash Conversion Underwriting Package”, it should be deemed to mean “TAH TEL Conversion Underwriting Package” and (ii) wherever there is a reference to “Actual Mortgage Amount” or “Additional Actual Mortgage Amount”, such reference should be deemed to mean “Actual Loan Amount” or “Additional Actual Loan Amount”, respectively.

## **25A.10 Loan Documents to be used at Conversion (08/17/23)**

The provisions of Chapter 25 apply regarding the Loan Documents in TEL, with the exception that a Forward TEL must be documented using the forms of TEL loan documents which were published at [mf.freddiemac.com/lenders/legal/tah-documents.html](http://mf.freddiemac.com/lenders/legal/tah-documents.html) at the time of the Forward Commitment Rate Lock, and as attached to the Construction Phase Financing Agreement.

## **25A.11 Final delivery, Funding (08/17/23)**

The provisions of Chapter 32 apply, with the exception that the Final Delivery Table of Contents refers to the Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan.

## **25A.12 Assignment (08/17/23)**

Freddie Mac will have the right to assign or otherwise transfer the Forward Commitment, or any mandatory Purchase Contract resulting from the Forward Commitment, to any affiliate or subsidiary of Freddie Mac without the consent of Seller/Service (“**Freddie Mac Assignment**”). After a Freddie Mac Assignment, all references to Freddie Mac in the Forward Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.



# Multifamily Seller/Service Guide

Chapter 26

Reserved



**Reserved for future use.**

# Multifamily Seller/Servicer Guide

## Chapter 27

### Commitment or Early Rate Lock Application



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- n. [Securitization disclosure \(04/15/21\)](#)

27.30 [Explanation of terms and additional requirements \(08/17/23\)](#)

- a. [Maximum Mortgage amount \(04/15/21\)](#)
- b. [Floating-Rate Mortgage \(04/15/21\)](#)
- c. [Defeasance Mortgage and yield maintenance period \(04/15/21\)](#)
- d. [Operational repairs \(04/15/21\)](#)
- e. [O&M Programs \(08/17/23\)](#)
- f. [Interest rate cap \(04/15/21\)](#)



## 27.1 Overview of commitment and early rate lock application options (04/15/21)

This chapter details requirements relating to:

- Freddie Mac's standard delivery option, including any Letter of Commitment issued by Freddie Mac, and
- Freddie Mac's early rate lock delivery option, including any early rate lock application submitted to Freddie Mac

Unless otherwise specified, the provisions of this chapter apply to both the standard delivery and early rate lock delivery options.

Except as specified in Chapter 18SBL, this chapter will not apply to the SBL Purchase Product.

### a. Delivery options (04/15/21)

Freddie Mac offers the following two delivery options:

#### 1. Standard delivery option; Letter of Commitment

In the standard delivery option, Freddie Mac determines the proposed Mortgage Financial Terms and conditions for the purchase of the Mortgage after Freddie Mac's receipt and approval of the full underwriting package. Rate Lock occurs after Freddie Mac has issued, and the Seller has accepted, the Letter of Commitment.

When the Seller accepts the Letter of Commitment, the Seller will have entered into a Purchase Contract with Freddie Mac. The Purchase Contract obligates the Seller to deliver the Mortgage to Freddie Mac in accordance with the provisions and conditions set forth in the Letter of Commitment by the Mandatory Delivery Date specified in the Confirmation Sheet.

#### 2. Early rate lock delivery option; early rate lock application

In the early rate lock delivery option, Freddie Mac determines the proposed Mortgage Financial Terms and conditions for the purchase of the Mortgage after Freddie Mac's receipt and approval of the preliminary underwriting package, but prior to receipt and approval of the full underwriting package. Rate Lock occurs after the Seller has executed and submitted the early rate lock application to Freddie Mac, but before the early rate lock application has been accepted by Freddie Mac.

The early rate lock application will not become a Purchase Contract when the Seller completes the Rate Lock. The early rate lock application will become a Purchase contract only when either of the following occurs:

- Freddie Mac accepts the early rate lock application and executes an Acceptance Letter setting forth the nonmaterial modification(s), if any, to the early rate lock application, or



- Freddie Mac requires a Material Modification in a Modification Letter and the Seller accepts the Material Modification and executes the Modification Letter

The early rate lock delivery option is available for all Conventional Cash Mortgages with a minimum principal amount of \$2.5 million. The early rate lock delivery option is available for other Mortgage products if specified in the applicable Guide chapter for such other Mortgage products.

**b. Index Lock (for fixed-rate Mortgages only) (04/15/21)**

In addition to the two delivery options, for certain fixed-rate Mortgages Freddie Mac may in its sole discretion allow the Seller to lock the yield rate on the applicable U.S. Treasury security ("Index Lock") prior to submitting the underwriting package to Freddie Mac pursuant to an agreement between Freddie Mac and the Seller ("Index Lock Agreement"). After Index Lock, the Seller will proceed pursuant either to the standard delivery option or the early rate lock delivery option, as specified in the Index Lock Agreement.

**27.2 Loan Submission Template (LST) (04/15/21)**

To receive a Quote from Freddie Mac, the Seller must submit the applicable LST as provided at [https://mf.freddiemac.com/lenders/uw/loan\\_submission\\_template.html](https://mf.freddiemac.com/lenders/uw/loan_submission_template.html), together with the required supporting documents to begin the process.

**27.3 Quote (04/15/21)**

**a. Quote (04/15/21)**

If the Mortgage presented in the LST and supporting documents appears to meet the requirements of the applicable Freddie Mac Mortgage program, Freddie Mac will, at its option, issue a Quote.

**b. Obligations of the parties (04/15/21)**

A Quote is non-binding. If Freddie Mac issues a Quote, the Seller will not be obligated to submit a full underwriting package and Freddie Mac will not be obligated to issue a Letter of Commitment, accept an early rate lock application or purchase the proposed Mortgage.

**c. Information in Quote (04/15/21)**

The Quote will include the proposed Mortgage Financial Terms and any other preliminary requirements based on the information contained in the LST and supporting documents.

**d. Quoted spread and interest rate (04/15/21)**

The quoted net spread and gross spread are based on preliminary information about the proposed Mortgage. Freddie Mac, in its sole discretion, may change the quoted net spread or quoted gross spread.



## **27.4 Required Seller provisions for Seller Application, Letter of Commitment and early rate lock application (04/15/21)**

### **a. Authorization to publicly use transactional information (04/15/21)**

The Seller Application must include the following authorization:

“The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the “Mortgage”) to Freddie Mac. Borrower agrees that [Name of Seller] and Freddie Mac may publicly use, at their discretion, the name and location of the Property, photographs of the Property, and basic transaction and property level information (for example, the number of units in the Property and the loan amount) relating to the Mortgage.”

### **b. Breakage provisions (04/15/21)**

Seller’s commitment or early rate lock application (or the equivalent) with the Borrower must include the provisions relating to breakage set forth in the Letter of Commitment or early rate lock application, as applicable. Freddie Mac’s standard language regarding breakage may be obtained at [https://mf.freddiemac.com/docs/breakage\\_fee\\_provisions.docx](https://mf.freddiemac.com/docs/breakage_fee_provisions.docx).

If any part of such breakage provisions is not enforceable under the laws of the applicable jurisdiction, the Seller must promptly notify Freddie Mac in writing of such unenforceability and recommend alternate language that will be enforceable under applicable law.

## **27.5 Underwriting package (04/15/21)**

After Freddie Mac issues a Quote, the Seller may proceed with the standard delivery option by delivering to Freddie Mac a full underwriting package, or the early rate lock delivery option (if available) by delivering a preliminary underwriting package.

Freddie Mac specifies the list of documents in the preliminary and full underwriting package in the applicable section of Exhibit 1, Underwriting Checklists.

Chapter 55 contains a complete description of Freddie Mac’s requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

## **27.6 Application fee and payment (08/17/23)**

### **a. Application fee (04/15/21)**

Once earned, the application fee is nonrefundable. Unless otherwise set forth in the Commitment, the early rate lock application, the Acceptance Letter or the Modification Letter, the standard application fees are as follows:





Mortgage product	Fee
Conventional Cash	Greater of \$2,000 or 0.1% of Mortgage amount
Seniors Housing	Greater of \$5,000 or 0.15% of Mortgage amount
Targeted Affordable Housing Cash	Greater of \$3,000 or 0.1% of Mortgage amount
Supplemental	Greater of \$5,000 or 0.1% of Mortgage amount
Small Balance Loan	See Chapter 18SBL
Targeted Affordable Housing Tax Exempt Loan	Greater of \$3,000 or 0.1% of Mortgage Amount
Targeted Affordable Housing Bond Credit Enhancement	0.1% of Mortgage Amount

**b. Standard Delivery – payment of application fee (04/15/21)**

For the standard delivery option, the nonrefundable application fee will be deemed earned by Freddie Mac on the earlier of delivery of the full underwriting package or 30 days after the date the Borrower executes the Seller Application.

The Seller must remit the application fee as follows:

	When Seller must remit application Fee	Amount of application fee
If a Rate Lock has occurred	By 2:00 p.m. Eastern time on the second Business Day following Rate Lock	Based on the rate locked Mortgage amount
If Freddie Mac issues a Letter of Commitment and Seller fails to accept the Commitment or Rate Lock by the Expiration Date	Upon demand by Freddie Mac	Based on the maximum Mortgage amount set forth in the Letter of Commitment
If Freddie Mac determines that it will not issue a Letter of Commitment for any reason	Upon demand by Freddie Mac	Based on the maximum Mortgage amount set forth in the Seller Application



**c. Early rate lock – payment of application fee; additional application fee (08/17/23)**

For the early rate lock delivery option, the nonrefundable application fee will be deemed earned by Freddie Mac at Rate Lock. The Seller must remit the application fee to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day after Rate Lock.

If the Mortgage amount increases after final underwriting, an additional nonrefundable application fee determined in accordance with the formula set forth in Section 27.6(a) will be deemed earned by Freddie Mac upon Seller's execution of the Acceptance Letter and must be remitted to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day after Seller's execution of the Acceptance Letter.

**d. Wire transfer (04/15/21)**

The Seller must obtain wire transfer instructions for the application fee from Freddie Mac.

The Seller must send the wire transfer to the attention of Multifamily Cash Management and reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.

**27.7 Standard delivery – Letter of Commitment (04/15/21)**

**a. Issuance of a Letter of Commitment (04/15/21)**

If Freddie Mac approves the proposed Mortgage, Freddie Mac will issue a Letter of Commitment to the Seller. The Letter of Commitment will provide the Mortgage Financial Terms (except for those items that cannot be completed until Rate Lock) and the purchase conditions applicable to the Mortgage.

**b. Seller acceptance (04/15/21)**

The Seller may accept the Letter of Commitment by countersigning the Letter of Commitment executed by Freddie Mac and causing it to be received by Freddie Mac via DMS no later than the Expiration Date.

**c. Seller failure to accept Letter of Commitment (04/15/21)**

If the Seller fails to accept the Letter of Commitment and Rate Lock by the Expiration Date, the Letter of Commitment will automatically expire, and Freddie Mac will not be obligated to purchase the Mortgage.

**27.8 Early rate lock delivery – early rate lock application (04/15/21)**

**a. Proceeding with the early rate lock delivery option (04/15/21)**

If the Mortgage presented in the preliminary underwriting package appears to meet Freddie Mac's requirements, Freddie Mac will inform the Seller that the Seller may proceed with the early rate lock delivery option.



### b. Preparing the early rate lock application (04/15/21)

Freddie Mac will provide an unexecuted early rate lock application form to the Seller, completed with the Mortgage Financial Terms (except for those items that cannot be completed until Rate Lock) and other provisions pertaining to the Mortgage acceptable to Freddie Mac.

### c. Execution by the Seller (04/15/21)

If the Seller desires to proceed to Rate Lock, the Seller must execute the early rate lock application and cause it to be received by Freddie Mac via DMS no later than the Expiration Date.

## 27.9 Early rate lock delivery option – Freddie Mac’s reliance (04/15/21)

The Seller assumes responsibility for the truth and accuracy of all information delivered by it to Freddie Mac in connection with a Mortgage sold to Freddie Mac using the early rate lock application.

The Seller acknowledges that Freddie Mac will incur certain financial liabilities in connection with an early rate lock application. Freddie Mac will rely upon the veracity and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller in connection with the early rate lock application and the Mortgage even if such documents were not prepared by the Seller and whether or not the Seller knew or had reason to know the accuracy of their contents.

## 27.10 Early rate lock delivery – good faith deposit (04/15/21)

### a. General requirements for early rate lock good faith deposit (04/15/21)

As security for all or a portion of the Seller’s obligations under the early rate lock application, the Seller must collect the required good faith deposit from Borrower and hold it in trust for Freddie Mac. Within two Business Days following Rate Lock, the Seller must upload confirmation of its receipt of the required good faith deposit to DMS as follows:

Type of good faith deposit	Seller must upload to DMS
Cash (see Section 27.10(b) below)	Copy of the wire confirmation to the Custodial Account
Letter of credit (see Section 27.10(c) below)	Copies of the: <ul style="list-style-type: none"> <li>• Letter of credit</li> <li>• Opinion of issuer’s counsel</li> <li>• Letter of Credit Certification form</li> </ul>
Demand note (see Section 27.10(c) below)	Copy of the demand note



Unless otherwise set forth in the early rate lock application, the standard good faith deposit amounts are as follows:

Type of loan	Type of good faith deposit	Standard good faith deposit amount
Floating-rate loan	Cash or letter of credit	Greater of 1% of the maximum Mortgage amount or \$25,000
	Demand note	Greater of 2% of the maximum Mortgage amount or \$25,000
Fixed-rate Loan	Cash or letter of credit (Early Rate Lock 9 months or less)	Greater of 2% of the maximum Mortgage amount or \$50,000
	Cash or letter of credit (Early Rate Lock > 9 months and < 12 months)	Greater of 3% of the maximum Mortgage amount or \$50,000
	Demand note	Greater of 3% of the maximum Mortgage amount or \$50,000

#### **b. Cash (04/15/21)**

A cash good faith deposit must be held in a Custodial Account meeting the requirements of Chapter 52 and must be designated exactly as shown in one of the following:

- “(Name of Depositor/Servicer), as custodian and/or bailee for Freddie Mac and/or various owners of interests in Mortgages,” or
- “Freddie Mac GFD Custodial Account.” However, if the Seller uses the abbreviated designation, then for all purposes of the Purchase and Servicing Documents and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages, the abbreviated account designation will be deemed to be the same as the unabbreviated account designation and will be deemed to confer upon Freddie Mac and those persons the same rights and interests with respect to the good faith deposit Custodial Account and the funds deposited or held in the account.

#### **c. Letter of credit or demand note (04/15/21)**

With the approval of Freddie Mac, in lieu of holding cash for all or a portion of the good faith deposit, the Seller may hold either:

- A letter of credit, subject to compliance with the requirements of Section 11.2, or



- Under limited circumstances, a demand note in the form published at [https://mf.freddiemac.com/docs/demand\\_promissory\\_note.docx](https://mf.freddiemac.com/docs/demand_promissory_note.docx) and otherwise meeting all of Freddie Mac's requirements

**d. Amount waived; waiver to benefit Borrower (04/15/21)**

Under certain circumstances, Freddie Mac may in its sole discretion waive all or a portion of the good faith deposit. The amount of the waiver will be specified in the early rate lock application.

Freddie Mac's waiver of all or a portion of the good faith deposit is intended to benefit the Borrower. The Seller is prohibited from collecting any type of security from the Borrower to secure payment of any portion of the Breakage Fee to the extent that the good faith deposit is waived. Seller may still collect funds from the Borrower for purposes unrelated to the waived portion of the good faith deposit.

**e. Release (04/15/21)**

The Seller is authorized to release the good faith deposit to Borrower on or after the Freddie Mac Funding Date. The Seller may release the good faith deposit to Borrower after the Origination Date but before the Freddie Mac Funding Date if all the following conditions are satisfied, provided that such early release will not waive or modify any obligation of the Seller to pay any Breakage Fee that may become due:

- The Seller has uploaded the final Confirmation Sheet, executed by both Freddie Mac and Seller, to DMS
- Seller has originated the Mortgage and disbursed the loan proceeds to or for the account of Borrower in accordance with the terms of the Purchase Contract
- Seller uploads a copy of the executed Note and Settlement Statement to DMS using the document type "GFD release evidence"

**27.11 Reserved (04/15/21)**

**27.12 Reserved (04/15/21)**

**27.13 Breakage Obligor (04/15/21)**

**a. Requirement for Breakage Obligor (04/15/21)**

If required by the Letter of Commitment or the early rate lock application, the Seller must ensure that a Breakage Obligor (defined below) will be jointly and severally liable with the Borrower for the payment of the Breakage Fee.

**b. Definition of Breakage Obligor (04/15/21)**

For purpose of this section, the “Breakage Obligor” is one of the following:

- All of the Guarantor(s)
- If there is no Guarantor, an individual or entity that (x) has a net worth and liquidity sufficient to pay the maximum Breakage Fee and (y) has an ownership interest in the Borrower or another relationship to the Borrower or the Loan that is legally sufficient to support the contractual obligation to pay the Breakage Fee

**c. Freddie Mac approval of Breakage Obligor (04/15/21)**

If Freddie Mac approves in writing a Breakage Obligor that is not a Guarantor, the Seller will not be liable for such individual or entity’s failure to satisfy the conditions set forth in (b) above.

**27.14 Locking the interest rate and other terms (04/15/21)****a. Fixed-rate Mortgages (04/15/21)****1. Rate lock**

Prior to Rate Lock of a fixed rate Mortgage, the Seller must execute and upload to DMS the Letter of Commitment or the early rate lock application, as applicable.

To Rate Lock a fixed rate Mortgage, the Seller must complete a Rate Lock Call no later than the Expiration Date.

At Rate Lock, Freddie Mac will complete the Confirmation Sheet with the Yield Rate. Except as set forth in Section 27.15, the “Yield Rate” will be the greater of (A) the actual yield for the designated benchmark U.S. Treasury security on the date and time of Rate Lock and (B) the Treasury Floor, if a Treasury Floor is specified in the Confirmation Sheet.

The interest rate for the Mortgage will equal the Yield Rate plus the net spread and the Servicing Spread, all as specified in the Confirmation Sheet.

**2. Rate Lock Call**

Freddie Mac may record the Rate Lock Call. On the Rate Lock Call, the Seller must confirm the following:

- The caller's name and title
- Seller name
- Property name



- Mortgage term, amortization period (if applicable), interest only period (if applicable), interest rate calculation method and yield maintenance period (if applicable)
- Mortgage amount
- The interest rate for the Mortgage, net spread, and Servicing Spread
- Actual annual debt service amount (principal and interest or interest only)

### **3. No liability**

If Freddie Mac does not have access to any system it uses to Rate Lock and/or “real time” market yields on the applicable benchmark U.S. Treasury security and as a result Freddie Mac is unable to complete the Rate Lock at the time the Seller communicates its intent to Rate Lock, Freddie Mac will not be liable for any damages whether direct or consequential.

### **4. Prior Index Lock**

If there has been a prior Index Lock, the provisions of this section are subject to Section 27.15.

## **b. Floating-Rate Mortgages (04/15/21)**

### **1. Spread Lock generally**

The interest rate for a Floating-Rate Mortgage, which will vary during the term of the Mortgage, will be determined by adding the net spread and the Servicing Spread set forth in the Confirmation Sheet to the applicable index. Because the interest rate for a Floating-Rate Mortgage cannot be fixed by the Letter of Commitment or early rate lock application, there is no procedure for “locking the interest rate” for a Floating-Rate Mortgage. References to “locking the interest rate” or “Rate Lock” for a Floating-Rate Mortgage will mean locking the net spread and the Servicing Spread set forth in the Confirmation Sheet.

### **2. Procedure for Spread Lock**

Prior to Rate Lock of a Floating-Rate Mortgage, the Seller must execute and upload to DMS the Letter of Commitment or the early rate lock application, as applicable.

The Seller may lock the net spread and the Servicing Spread by providing Freddie Mac authorization before the Expiration Date to lock the spread.

## **27.15 Effect of prior Index Lock (fixed-rate Mortgages only) (04/15/21)**

The provisions of this Section 27.15 will apply only to any fixed rate Mortgage where there was a prior Index Lock.



**a. Index-Locked Portion (04/15/21)**

The Yield Rate for the portion of the Mortgage that is subject to the prior Index Lock (the “Index-Locked Portion”, as set forth in the Confirmation Sheet) will be the Index-Locked Yield Rate as specified in the Confirmation Sheet. Since the Yield Rate for the Index-Locked Portion is already locked, references in the Commitment to “locking the interest rate” and “Rate Lock”, with respect to the Index-Locked Portion will refer to locking the spread.

**b. Non Index-Locked Portion (04/15/21)**

If there is a portion of the Mortgage that is not subject to the prior Index Lock (the “Non Index-Locked Portion”, as set forth in the Confirmation Sheet), the Yield Rate for the Non Index-Locked Portion will be the greater of (x) the actual yield on the designated benchmark U.S. Treasury security on the date and time of Rate Lock and (y) the Treasury Floor, if a Treasury Floor is specified in the Confirmation Sheet.

**c. Spread (04/15/21)**

If there is a Non Index-Locked Portion of the Mortgage, the net spread and/or Servicing Spread for the Index-Locked Portion and the Non Index-Locked Portion may differ.

**d. Blended rate (04/15/21)**

If there is a Non Index-Locked Portion of the Mortgage, Freddie Mac will determine the interest rate for the Mortgage by blending the interest rate for the Index-Locked Portion and the interest rate for the Non Index-Locked Portion, if applicable. Freddie Mac’s determination of the blended rate will be binding and conclusive absent manifest error.

**27.16 Rate Lock and Mortgage Terms Confirmation Sheet (04/15/21)****a. Confirmation of Rate Lock Terms (04/15/21)**

After Rate Lock, Freddie Mac will deliver to the Seller a completed Confirmation Sheet.

No later than the Business Day immediately following the Seller’s receipt of the Confirmation Sheet, the Seller must execute and upload to DMS the Confirmation Sheet to indicate its acceptance of the Rate Lock terms.

**b. Failure to Return Confirmation Sheet (04/15/21)**

If the Seller fails to return the executed Confirmation Sheet to Freddie Mac within the required time, Freddie Mac may, in its discretion, treat such failure as a Nondelivery.

**27.17 Reserved (04/15/21)****27.18 Early rate lock delivery—delivery due dates and requirements (02/17/22)**

After Rate Lock, the Seller must deliver the full underwriting package in accordance with the following chart depending on the length of the early rate lock application. The Mandatory Delivery

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Date will also be determined as set forth below unless otherwise specified in the Confirmation Sheet.

Type of early rate lock	Funding Length	Date full underwriting package is due	Mandatory Delivery Date
4-month early rate lock	120 Day Funding	45 days after Rate Lock	Earlier of: <ul style="list-style-type: none"> <li>• 105 days after Rate Lock</li> <li>• 25 days after Freddie Mac's acceptance of the early rate lock application</li> </ul>
3-month early rate lock	90 Day Funding	22 days after Rate Lock	75 days after Rate Lock
2.5-month early rate lock	75 Day Funding	15 days after Rate Lock	60 days after Rate Lock
2-month early rate lock	60 Day Funding	7 days after Rate Lock	45 days after Rate Lock

At Freddie Mac's discretion, the following extensions may be available to add to a 4-month early rate lock. If an extension is applicable, then after Rate Lock the Seller must deliver the full underwriting package in accordance with the following chart. The Mandatory Delivery Date will also be determined as set forth below unless otherwise specified in the Confirmation Sheet.

Type of early rate lock	Type of extension (in addition to 120 Day Funding)	Date full underwriting package is due	Mandatory Delivery Date is the <b>earlier</b> of the date below or 25 days after Freddie Mac's acceptance of the early rate lock application
8-month early rate lock	4-month extension	165 days after Rate Lock	225 days after Rate Lock
7-month early rate lock	3-month extension	135 days after Rate Lock	195 days after Rate Lock



Type of early rate lock	Type of extension (in addition to 120 Day Funding)	Date full underwriting package is due	Mandatory Delivery Date is the <u>earlier</u> of the date below or 25 days after Freddie Mac's acceptance of the early rate lock application
6-month early rate lock	2-month extension	105 days after Rate Lock	165 days after Rate Lock
5-month early rate lock	1-month extension	75 days after Rate Lock	135 days after Rate Lock

The full underwriting package must include any document included in the preliminary underwriting package for which there is a material change.

Freddie Mac intends to complete its review of the full underwriting package within 30 days of its receipt but reserves the right to take such additional time as is reasonably necessary to complete its review.

## 27.19 Early rate lock delivery – acceptance or rejection of early rate lock application (12/16/21)

### a. Freddie Mac actions (04/15/21)

Following its complete review of the full underwriting package, Freddie Mac will take one of the following actions with respect to the early rate lock application:

- Accept the early rate lock application with no modifications
- Accept the early rate lock application with nonmaterial modifications, but without a reduction of the mortgage amount
- Accept the early rate lock application with nonmaterial modifications, including a reduction of the mortgage amount
- Accept the early rate lock application with a Material Modification
- Reject the early rate lock application

“Material Modification” of the terms of the early rate lock application means a change that a reasonable borrower or lender would deem to be material to the transaction as a whole. Any change that is not a Material Modification will be deemed a nonmaterial modification.



**b. Acceptance of the early rate lock application with no modifications or with nonmaterial modifications, without a reduction of the Mortgage amount (04/15/21)**

If Freddie Mac accepts the early rate lock application either (i) with no modifications or (ii) with nonmaterial modifications, but without a reduction of the Mortgage amount, Freddie Mac will issue an Acceptance Letter specifying the Mortgage Financial Terms for the Mortgage, which will include, if applicable, any nonmaterial modifications to the terms of the early rate lock application submitted by the Seller.

By submitting the early rate lock application, the Seller agrees to be bound by any nonmaterial modifications to the early rate lock application set forth in the Acceptance Letter. The Seller must acknowledge and upload the Acceptance Letter, including its agreement to service the Mortgage, to DMS in accordance with the terms specified in the Acceptance Letter. Failure to sign and upload to DMS the Acceptance Letter (including the agreement to service the Mortgage) will constitute a Nondelivery and Freddie Mac, at its option, will collect the Breakage Fee from the Seller. The Breakage Fee will be calculated based on the rate locked Mortgage amount.

**c. Acceptance of the early rate lock application with nonmaterial modifications, including a reduction of the Mortgage amount (04/15/21)**

**1. Reductions in Mortgage amount**

If the full underwriting package demonstrates a Low Appraisal/LTV, Low Income or Occupancy and/or Low NOI/DCR (as each such term is defined in this chapter) and no other basis for a Rejection exists, in lieu of a Rejection, Freddie Mac, in its sole discretion (based upon the underwriting standards and criteria utilized as of the date of the Rate Lock), may accept the early rate lock application with nonmaterial modifications, but reduce the Mortgage amount. The reduction in the Mortgage amount will not be deemed a Material Modification.

If there is a reduced Mortgage amount (“Reduced Mortgage Amount”), Freddie Mac will issue an Acceptance Letter specifying the Mortgage Financial Terms for the Mortgage, which will include, if applicable, any nonmaterial modifications to the terms of the early rate lock application submitted by the Seller. The Acceptance Letter will include a revised Confirmation Sheet reflecting the Reduced Mortgage Amount and any changes necessitated by the change in the Mortgage amount. None of such changes will be deemed a Material Modification.

By submitting the early rate lock application, the Seller agrees to be bound by any nonmaterial modifications to the early rate lock application set forth in the Acceptance Letter, including any reduction in the Mortgage amount. The Seller must acknowledge and upload the Acceptance Letter, including the revised Confirmation Sheet and its agreement to service the Mortgage, to DMS in accordance with the terms specified in the Acceptance Letter. Failure to sign and upload to DMS the Acceptance Letter (including the revised Confirmation Sheet and the agreement to service the Mortgage) will constitute a Nondelivery and Freddie Mac, at its option, will collect the Breakage Fee from the Seller. The Breakage Fee will be calculated based on the rate locked Mortgage amount.



## 2. Breakage Fee for Reduced Mortgage Amount

Except as otherwise set forth in this chapter, the following provisions will apply to a Reduced Mortgage Amount:

- If the reduction of the Mortgage amount is 10% or less of the rate locked Mortgage amount, then no Breakage Fee will be due
- If the reduction of the Mortgage amount is more than 10 percent of the rate locked Mortgage amount, then Freddie Mac, at its option, will collect a Breakage Fee from the Seller calculated on the difference between 90 percent of the rate locked Mortgage amount and the Reduced Mortgage Amount. In such cases, the Acceptance Letter will specify the amount of the Breakage Fee.

## 3. Nondelivery after Seller Acknowledgement

If there is a Nondelivery after the Seller's acknowledgement and execution of the Acceptance Letter and the revised Confirmation Sheet, then the Breakage Fee will be calculated based on the original rate locked Mortgage amount and not the Reduced Mortgage Amount.

### d. Acceptance of the early rate lock application with a Material Modification (04/15/21)

If Freddie Mac determines following its complete review of the full underwriting package that it will not purchase the Mortgage without a Material Modification of the terms of the early rate lock application, Freddie Mac will send a Modification Letter to the Seller setting forth the proposed modifications, including, if applicable, a revised Confirmation Sheet.

If the proposed Material Modification set forth in the Modification Letter is not acceptable to the Borrower, then the early rate lock application will be deemed to be Rejected by Freddie Mac, but the Seller will not owe a Breakage Fee and Freddie Mac will authorize the Seller to release the good faith deposit to the Borrower.

If the proposed Material Modification set forth in the Modification Letter is acceptable to the Borrower, the Seller must sign the Modification Letter, including its agreement to service the Mortgage and, if applicable, the revised Confirmation Sheet, and upload it to DMS in accordance with the terms specified in the Modification Letter.

If the proposed Material Modification set forth in the Modification Letter is acceptable to the Borrower, but the Seller does not execute and return the Modification Letter (including its agreement to service the Mortgage and, if applicable, the revised Confirmation Letter) within the time specified by Freddie Mac in the Modification Letter, the early rate lock application will be deemed to be Rejected by Freddie Mac and Freddie Mac, at its option, will collect the Breakage Fee from the Seller, in which event the provisions of Section 27.27(c) regarding the good faith deposit and the assignment of Seller's rights to collect the Breakage Fee from the Borrower will not apply.



#### **e. Rejection of the early rate lock application (12/16/21)**

If Freddie Mac determines following its complete review of the full underwriting package that it will not purchase the Mortgage, it will Reject the early rate lock application.

##### **1. Rejection with no Breakage Fee**

If Freddie Mac Rejects the early rate lock application for any of the following reasons, the Seller will not owe a Breakage Fee; Freddie Mac will notify the Seller of such Rejection and authorize the Seller to release the good faith deposit to the Borrower:

- A. Material adverse change in any of the following due to fire or other casualty prior to the date that Freddie Mac accepts the early rate lock application:
  - Rental income
  - Expenses for operation of the Property
  - Physical condition of the Property
- B. Disclosure of conditions at the Property in any of the following reports that are unacceptable to Freddie Mac but were not known by the Seller or the Borrower prior to the Rate Lock:
  - Appraisal
  - Property condition report
  - Environmental report
  - Zoning report
- C. If Freddie Mac requires a Material Modification that is not acceptable to the Borrower
- D. Any reason not set forth in Section 27.19(e)(2)

##### **2. Rejection with Breakage Fee**

If Freddie Mac Rejects the early rate lock application for any of the following reasons, Freddie Mac, at its option, may collect the Breakage Fee from the Seller and/or exercise its other remedies set forth in the Guide:

- A. Material adverse change in any of the following not attributable to fire or other casualty:
  - Title to the Property



- Physical condition of the Property
  - Property operation
  - Rental income
- B. Material adverse change in the financial condition or credit of any of the following from that which was disclosed in writing to Freddie Mac:
- Borrower
  - Borrower Principal(s)
  - Guarantor(s)
- C. A change (whether direct or indirect) in the Control or in the ownership of any of the following from that which was disclosed in writing to Freddie Mac prior to the Rate Lock that is unacceptable to Freddie Mac in Freddie Mac's sole discretion:
- The Property
  - Borrower
  - Borrower Principal(s)
  - Guarantor(s)
- D. Disclosure of conditions at the Property in any of the following reports that are unacceptable to Freddie Mac that were known by the Seller or the Borrower but not disclosed in writing to Freddie Mac prior to the Rate Lock:
- Appraisal
  - Property condition report
  - Environmental report
  - Zoning report
- E. Either the income or occupancy reflected on the rent roll delivered with the full underwriting package is lower than the required income and occupancy set forth in the early rate lock application, and Freddie Mac (using the same underwriting standards that it used at Rate Lock) determines in its reasonable discretion that the Property will not be able to meet the occupancy and income requirements by the origination date of the Mortgage ("Low Income or Occupancy")





- F. The net operating income is less than the required net operating income set forth in the early rate lock application and/or the debt coverage ratio, as determined by Freddie Mac in its sole and absolute discretion (using the same underwriting standards that it used at Rate Lock), is less than the minimum debt coverage ratio set forth in the early rate lock application (“Low NOI/DCR”)
- G. The appraised value set forth in the appraisal is less than the minimum appraised value set forth in the early rate lock application and/or the loan-to-value ratio, as determined by Freddie Mac in its sole and absolute discretion (using the same underwriting standards that it used at Rate Lock), exceeds the maximum loan-to-value ratio set forth in the early rate lock application (“Low Appraisal/LTV”)
- H. Any representation, warranty, statement, certificate or other information made or furnished to Freddie Mac in connection with the proposed Mortgage is false or misleading in any material respect as of the date made
- I. Any other reason specified in the early rate lock application

## **27.20 Early rate lock delivery – Increased Mortgage Amount (04/15/21)**

After Freddie Mac has reviewed the full underwriting package, the Seller may request that Freddie Mac increase the rate locked Mortgage amount if the full underwriting package demonstrates that, based on an increase in net operating income and other factors (excluding a higher than expected appraised value), the Property can support an increased Mortgage amount and meet the minimum debt coverage and maximum loan-to-value ratio set forth in the early rate lock application.

Freddie Mac will determine, in its sole and absolute discretion, if the Seller’s request for an increase is supported by the full underwriting package and, if applicable, will determine the increased Mortgage amount (“Increased Mortgage Amount”).

The amount of the increase must be at least the greater of \$100,000 or 1% of the rate locked Mortgage amount and may not exceed 10% of the rate locked Mortgage amount.

If Freddie Mac determines an Increased Mortgage Amount is supported, it will issue an Acceptance Letter specifying the Mortgage Financial Terms for the Mortgage, which will include a revised Confirmation Sheet reflecting the following:

- The Increased Mortgage Amount
- Corresponding changes to the monthly payment amount and other amounts calculated based on the Mortgage amount, including any buy-up amount
- For any fixed rate Mortgage subject to a prior Index Lock, the interest rate applicable to the Increased Mortgage Amount and the final, blended interest rate applicable to the Mortgage in accordance with the terms of the early rate lock application



- If applicable, requirements triggered because the Increased Mortgage Amount crosses an existing underwriting threshold (e.g., requirements for Mortgages  $\geq$  \$25,000,000 or  $\geq$  \$100,000,000)
- Any other nonmaterial modifications to the terms of the early rate lock application submitted by the Seller

None of the changes described above will be deemed to be a Material Modification.

By submitting the early rate lock application, the Seller agrees to be bound by any nonmaterial modifications to the early rate lock application set forth in the Acceptance Letter. The Seller must acknowledge and upload the Acceptance Letter, including the revised Confirmation Sheet and its agreement to service the Mortgage, to DMS in accordance with the terms specified in the Acceptance Letter. Failure to sign and upload to DMS the Acceptance Letter, including the revised Confirmation Sheet and its agreement to service the Mortgage will constitute a Nondelivery and Freddie Mac, at its option, will collect the Breakage Fee from the Seller. The Breakage Fee will be calculated based on the rate locked Mortgage amount.

Upon Seller's execution and delivery of the revised Confirmation Sheet, the rate locked Mortgage amount will be deemed to be the Increased Mortgage Amount for all purposes.

#### **27.21 Reserved (04/15/21)**

#### **27.22 Reserved (04/15/21)**

#### **27.23 Final Delivery and purchase requirements (04/15/21)**

After final delivery of a Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date.

See Chapter 32 and the Final Delivery Tables of Contents and the Final Delivery Instructions at <https://mf.freddiemac.com/lenders/purchase/> for information on final delivery and purchase.

#### **27.24 Nondelivery (04/15/21)**

##### **a. General (04/15/21)**

Freddie Mac may, in its discretion, treat any of the following situations as a Nondelivery:

1. The Seller fails to return the Confirmation Sheet to Freddie Mac via DMS within the time required
2. The Mortgage or Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents



3. After the Letter of Commitment or the early rate lock application becomes a Purchase Contract (as described in Section 27.1), it is determined that there has been a material adverse change from what was disclosed to Freddie Mac in the full underwriting package in either of the following:
  - The financial position of the Borrower, any Borrower Principal or the Guarantor
  - The condition of the Property, including damage to the Property due to fire or other casualty
4. The Seller fails to deliver the Final Delivery Package to Freddie Mac at or before noon Eastern time on the Mandatory Delivery Date, including notifying Multifamily Purchase in accordance with Section 32.1(c)
5. Any other situation described in this Guide or in the Purchase Contract as a Nondelivery

**b. Early rate lock delivery – additional Nondelivery events (04/15/21)**

In addition to the events set forth in (a) above, for the early rate lock delivery option, Freddie Mac may, in its discretion, treat any of the following as a Nondelivery:

1. The Seller fails to return the executed early rate lock application, the Acceptance Letter or Modification Letter, as applicable (including its agreement to service the Mortgage), or the Confirmation Sheet to Freddie Mac via DMS within the time required
2. The Seller does not collect and hold the good faith deposit in the amount required
3. The Seller fails to submit proof acceptable to Freddie Mac that all or any portion of the good faith deposit has been deposited or is being held in accordance with Section 27.10
4. The Seller fails to deliver the complete full underwriting package within the time specified in the early rate lock application

**c. Remedies for Nondelivery (04/15/21)**

If there is a Nondelivery, Freddie Mac will be entitled to take whatever actions it deems appropriate to protect its interests and enforce its rights, including:

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Charging the Seller the Breakage Fee as liquidated damages
- Taking any other action set forth in Chapter 4

**27.25 Reserved (04/15/21)**



## **27.26 Late delivery (04/15/21)**

### **a. General (04/15/21)**

Freddie Mac may, in its sole discretion, treat either of the following situations as a late delivery of a Mortgage rather than a Nondelivery:

1. The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents
2. The Seller fails to deliver the Final Delivery Package to Freddie Mac at or before noon Eastern time on the Mandatory Delivery Date (inclusive of notifying Multifamily Purchase in accordance with Section 32.1(c))

### **b. Remedies (04/15/21)**

If Freddie Mac determines that there has been a late delivery of a Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including:

1. Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
2. Charging the Seller a late delivery extension fee
3. Taking any other action set forth in Chapter 4

## **27.27 Payment of the Breakage Fee (06/17/21)**

### **a. Payable on demand (06/17/21)**

If the Seller is liable for the Breakage Fee under the terms of the Guide or the provisions of the Commitment, the early rate lock application or any Acceptance Letter or Modification Letter, as applicable, the Seller must pay to Freddie Mac on demand the Breakage Fee.

Freddie Mac's collection of the Breakage Fee will not prevent it from exercising any other remedies set forth in the Guide.

### **b. Good faith deposit (04/15/21)**

Upon Freddie Mac's demand for the Breakage Fee, the Seller must deliver to Freddie Mac any good faith deposit collected by the Seller.

Except as set forth in this Section 27.27, the amount of the good faith deposit paid to Freddie Mac will be credited towards the Seller's obligation to pay the Breakage Fee.

If the Breakage Fee exceeds the amount of the good faith deposit paid to Freddie Mac, then the Seller must pay to Freddie Mac the balance of the Breakage Fee.

**c. Seller's Assignment (04/15/21)**

If Freddie Mac is entitled to collect the Breakage Fee, the Seller must, upon notice from Freddie Mac, immediately assign to Freddie Mac all of its rights, title and interest under the Seller's commitment or early rate lock application (or the equivalent) with the Borrower to the Breakage Fee, including the Seller's rights and remedies against the Borrower and Breakage Obligor to collect the Breakage Fee ("Seller's Assignment").

**d. Discharge of the Seller's obligation to pay the Breakage Fee (06/17/21)**

Except as set forth in Section 27.27(e), Freddie Mac will discharge the Seller's obligation to pay the Breakage Fee to Freddie Mac if the Seller satisfies each of the following requirements:

1. It completes the Seller's Assignment
2. It has complied with the provisions under the Letter of Commitment or the early rate lock application, as applicable, requiring the Seller to include provisions relating to breakage set forth in the Letter of Commitment or early rate lock application and to cause a Breakage Obligor to be liable for the Breakage Fee
3. It pays to Freddie Mac any good faith deposit collected by the Seller
4. It cooperates with Freddie Mac in all aspects of the collection of the Breakage Fee from the Borrower and Breakage Obligor

**e. Exceptions to discharge (06/17/21)**

The Seller will not be entitled to the discharge of its obligation to pay the Breakage Fee described in Section 27.27(d) if any of the following occurs:

1. The Seller has not complied with its obligations under the Letter of Commitment or early rate lock application to collect, hold, and deliver to Freddie Mac evidence of receipt of the good faith deposit, and such failure is not the result of the Borrower's actions
2. The Seller has not delivered to Freddie Mac an executed Confirmation Sheet or an executed early rate lock application, Acceptance Letter, or Modification Letter, as applicable, and such failure is not the result of the Borrower's actions
3. The Seller has not delivered to Freddie Mac a complete and correct full underwriting package in a timely manner, and such failure is not the result of the Borrower's actions
4. The Seller has not delivered the Final Delivery Package to Freddie Mac by the Mandatory Delivery Date and such failure is not the result of the Borrower's failure or inability to consummate the loan transaction as required by and in accordance with the terms and conditions of the Seller's commitment or early rate lock application (or the equivalent) with the Borrower



5. The Seller delivers the Final Delivery Package to Freddie Mac in a form that does not satisfy Freddie Mac's requirements as set forth in the Purchase and Servicing Documents and such failure is not the result of the Borrower's failure to make corrections to the delivery requested by the Seller in order to conform the delivery to the terms of the Seller's commitment or early rate lock application (or the equivalent) with the Borrower

If any of the conditions set forth above occur, Freddie Mac will not accept the Seller's Assignment, will not credit the good faith deposit towards the payment of the Breakage Fee, and will collect the Breakage Fee directly from the Seller.

**f. Seller's liability for Breakage Fee (04/15/21)**

Notwithstanding the discharge of the Seller's obligation to pay the Breakage Fee described in Section 27.27(d), if the Borrower or any Breakage Obligor successfully asserts any claim or defense to its obligation to pay the Breakage Fee that arises out of transactions or relationships between the Borrower and/or Breakage Obligor and the Seller, including claims or defenses for fraud or set-off, then the Seller will owe Freddie Mac any resulting reduction in, or set off against, any amounts payable by the Borrower and/or Breakage Obligor.

If the Seller's commitment or early rate lock application (or the equivalent) with the Borrower does not contain the required breakage provisions, including the correct formula for the Breakage Fee, and as a result Freddie Mac is unable to collect the full amount of the Breakage Fee, the Seller will owe Freddie Mac any resulting difference.

If Freddie Mac waives any portion of the Breakage Fee then due, then the Seller will not be obligated to pay the amount waived.

**27.28 Right to demand delivery of good faith deposit letter of credit or demand note (04/15/21)**

If the Seller is holding a letter of credit as all or part of the good faith deposit, and the Seller fails to provide evidence to Freddie Mac of a renewal or replacement of the letter of credit at least 30 days prior to the expiration of the letter of credit, then Freddie Mac may demand the immediate assignment and delivery of the letter of credit to Freddie Mac.

If the Seller is holding a letter of credit or demand note as all or part of the good faith deposit and Freddie Mac is entitled to a late delivery extension fee or the Breakage Fee, then Freddie Mac may demand immediate assignment and delivery of the letter of credit or demand note.

If Freddie Mac demands assignment and delivery of either the letter of credit or demand note in accordance with this Section 27.28, then the Seller must deliver the letter of credit or demand note in accordance with the instructions of Freddie Mac by hand or overnight courier, for delivery on the Business Day following demand by Freddie Mac, together with the Letter of Credit Certification form and opinion required by the Guide with respect to a letter of credit. Following its receipt of the letter of credit or demand note, Freddie Mac may draw upon all or a part of the letter of credit or demand payment under the demand note, as applicable, at any time and without notice to the Seller.



## 27.29 General terms (02/17/22)

The following terms are incorporated into each Freddie Mac Letter of Commitment or early rate lock application, including any applicable Acceptance Letter or Modification Letter.

### a. Assignment (04/15/21)

The Seller will not have the right to assign or otherwise transfer the early rate lock application or Purchase Contract resulting from the early rate lock application or any Letter of Commitment without the prior written consent of Freddie Mac, which consent may be granted or withheld in Freddie Mac's sole discretion.

Freddie Mac will have the right to assign or otherwise transfer its rights in any Letter of Commitment, early rate lock application or any Purchase Contract resulting from any Letter of Commitment or early rate lock application to any affiliate or subsidiary of Freddie Mac without the consent of the Seller. After such an assignment, for the purpose of the applicable Mortgage(s), all references to Freddie Mac in such Letter of Commitment, early rate lock application, Purchase Contract or in the Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the assignment has been made.

### b. Assignment of documents (04/15/21)

At final delivery, the Seller must include an assignment to Freddie Mac of any and all of its rights, title and interest in each document required to be executed by the Borrower under the Letter of Commitment or early rate lock application.

### c. Remedies (04/15/21)

If the Seller breaches any provisions or conditions of the Letter of Commitment or early rate lock application, in addition to any rights and remedies specified in the Letter of Commitment or early rate lock application, Freddie Mac will have all rights and remedies specified in the Guide.

### d. Conflicts with the Guide (04/15/21)

If any provisions set forth in the Letter of Commitment or early rate lock application are inconsistent with any provisions set forth in the Guide, the provisions of the Letter of Commitment or early rate lock application will govern. If the Letter of Commitment or early rate lock application is silent with respect to any subject covered by provisions set forth in the Guide, the provisions in the Guide will govern.

### e. Exclusivity (04/15/21)

The terms and provisions of the Letter of Commitment or early rate lock application are intended for the sole and exclusive benefit of Freddie Mac and the Seller and are not for the benefit of any other party, including the Borrower. Each condition to Freddie Mac's obligation to purchase the Mortgage is for the exclusive benefit of Freddie Mac and may be waived in writing by Freddie Mac in whole or in part in Freddie Mac's discretion.





**f. Modifications (04/15/21)**

The provisions of the Letter of Commitment or early rate lock application may not be modified or in any way changed by implication or subsequent conduct, correspondence or otherwise, unless such waiver, modification or change is expressly stated as such and is specifically agreed to in writing by Freddie Mac and the Seller.

**g. Merger (04/15/21)**

No statements, agreements or representations, oral or written, which may have been made to the Seller or to any employee or agent of the Seller, by any employee, representative or agent acting on Freddie Mac's behalf, with respect to the Mortgage or otherwise, will be of any force or effect except to the extent stated in the Letter of Commitment or early rate lock application, and all prior agreements and representations made with respect to the Mortgage are merged into the Letter of Commitment or early rate lock application.

**h. Copies and originals (04/15/21)**

Copies of the Letter of Commitment or early rate lock application with signature pages uploaded to DMS will be binding and effective as to each party and may be used in lieu of an original Letter of Commitment or early rate lock application and in lieu of an original signature.

**i. Survival (04/15/21)**

The provisions and conditions of the Letter of Commitment or early rate lock application will survive final delivery of the Mortgage.

**j. “Lender’s” consent / “Lender’s” requirements (04/15/21)**

Certain provisions of the Letter of Commitment or early rate lock application may refer to matters which must be “acceptable to Lender” or “approved by Lender” or “submitted to Lender for its review and approval,” or comply with “all requirements of Lender” or words of similar meaning. The Seller acknowledges that as between the Seller and Freddie Mac and as a condition to Freddie Mac's obligation to purchase the Mortgage, all such matters must be acceptable to or approved by Freddie Mac, in Freddie Mac's discretion, prior to the Origination Date, and as to the Seller, Lender's requirements shall mean all Freddie Mac's requirements.

**k. Governing law (04/15/21)**

The Letter of Commitment or early rate lock application will be governed by the laws of the Commonwealth of Virginia.

**l. Form of documents (04/15/21)**

The Seller must originate the Mortgage using the applicable Freddie Mac Multifamily Loan Documents available at <https://mf.freddiemac.com/lenders/legal/>:

- For non-SBL Mortgages, the Seller may use any version of the Multifamily Loan Documents that have been included on the Currently Acceptable Multifamily Loan

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Documents list at <https://mf.freddiemac.com/lenders/legal/> during the period between the date of the Letter of Commitment and the Origination Date, or the date that the Seller executed the early rate lock application and the Origination Date

- For SBL Mortgages, the Seller may use any version of the Multifamily Loan Documents that have been included on the Currently Acceptable Multifamily Loan Documents-SBL list at <https://mf.freddiemac.com/lenders/legal/> during the period between the date of the Letter of Commitment and the Origination Date

**m. Incorporation of exhibits (04/15/21)**

Any exhibits or schedules attached to the Letter of Commitment or early rate lock application are incorporated into the Letter of Commitment or early rate lock application.

**n. Securitization disclosure (04/15/21)**

The Seller/Servicer acknowledges, as originator of the Mortgage, that if it contributes 20 percent or more of the Mortgages in a Securitization, or if the Seller/Servicer will service 20 percent or more of the Mortgages in a Securitization, then, at the request of Freddie Mac, the Seller/Servicer will provide all the following items in a form customary and consistent with then-current market practices:

1. Information to be included in the Securitization offering documents with respect to the Seller/Servicer in its capacity as originator of the Mortgages and, if applicable, in its capacity as primary servicer or sub-servicer of the Mortgages in the Securitization, including a description of the sub-servicing agreement ("Seller/Servicer's Disclosure Information")
2. An indemnification in form and substance satisfactory to Freddie Mac with respect to the Seller/Servicer's Disclosure Information for the benefit of Freddie Mac, Issuer Person, Issuer Group and Underwriter Group for the applicable Securitization. Issuer Person, Issuer Group and Underwriting Group will have the meanings given to them in the Loan Agreement.
3. A letter of counsel (often referred to as a 10b-5 Negative Assurances Letter) addressing whether the Seller/Servicer's Disclosure Information contains an untrue statement of any material fact or the Seller/Servicer's Disclosure Information omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or other such language acceptable to Freddie Mac

If the Seller/Servicer, as originator of the Mortgage, contributes less than 20 percent of the Mortgages to a Securitization or if the Seller/Servicer will service less than 20 percent of the Mortgages in a Securitization, then the Seller's Disclosure Information, indemnification and letter of counsel, as applicable, may not be required.

### **27.30 Explanation of terms and additional requirements (08/17/23)**

The following explanation of terms and additional requirements are incorporated into each Freddie Mac Letter of Commitment and early rate lock application:

**a. Maximum Mortgage amount (04/15/21)**

For a fixed rate Mortgage, the maximum Mortgage amount will be based on a maximum Benchmark U.S. Treasury security set forth in the Letter of Commitment or early rate lock application. The actual Mortgage amount will be calculated at Rate Lock and will be rounded down to the nearest \$1,000 increment.

**b. Floating-Rate Mortgage (04/15/21)**

For a Floating-Rate Mortgage, the interest rate for an adjustment period will equal the Index Rate for the interest adjustment period plus the margin. The margin will remain fixed during the term of the Mortgage.

**c. Defeasance Mortgage and yield maintenance period (04/15/21)**

For a Mortgage which prohibits prepaying the Mortgage but allows the Borrower to defease the Mortgage, the yield maintenance period set forth in the Letter of Commitment or early rate lock application will be applicable only until the date of Securitization if securitization occurs before the “Cut-off Date” as specified in the Note (typically one year after the Origination Date).

**d. Operational repairs (04/15/21)**

If there are Operational Repairs, the Seller/Servicer must deliver the Repair Letter to the Borrower on or before the Origination Date.

**e. O&M Programs (08/17/23)**

Each O&M Program required by the Letter of Commitment or early rate lock application must comply with all requirements set forth in the environmental report prepared for the Mortgage and with all requirements in the Guide.

- If requested, a copy of each O&M Program, reflecting that it is the O&M Program for the Property, must be submitted to Freddie Mac
- Unless otherwise set forth in the Letter of Commitment or early rate lock application, each O&M Program must provide that it will be implemented within no more than 60 days after the origination date of the Mortgage
- If the Borrower previously established an O&M Program in connection with a Senior Mortgage then the same O&M Program must remain in effect

**f. Interest rate cap (04/15/21)**

If a third-party interest rate cap is required then the cap provider, agreement and term must be acceptable to Freddie Mac. Cap payments must be made to a trust account of the Seller as the Servicer for Freddie Mac unless Freddie Mac directs otherwise.



# Multifamily Seller/Service Guide

## Chapter 28

### Originating a Targeted Affordable Housing Bond Credit Enhancement Mortgage



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- 28.19 [Application of payments \(10/31/12\)](#)
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- 28.20 [Remittances \(06/12/23\)](#)
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- 28.22 [Reporting \(03/31/11\)](#)
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- 28.23 [Mortgage interest rate \(03/03/14\)](#)
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## 28.1 Overview (12/14/23)

The Targeted Affordable Housing (TAH) Bond Credit Enhancement Program utilizing the prior approval model provides credit enhancement for tax-exempt or taxable bonds where the bond proceeds are used in the financing of targeted affordable housing. The bonds may bear interest at a variable rate (variable-rate Mortgages) or at a fixed rate (fixed-rate Mortgages).

See [Exhibit 2, Origination Guidelines for Affordable Products](#) for additional information about the types of affordability components that are available to Targeted Affordable Housing Seller/Serviceers.

This chapter describes:

- The requirements and procedures that the Seller must follow to originate a TAH Bond Credit Enhancement Mortgage
- The characteristics that the bond structure must have in order for Freddie Mac to provide a bond credit enhancement

Because Freddie Mac will provide bond credit enhancements only on a negotiated basis, the underwriting and bond structure requirements may vary from one transaction to another. Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

### a. Origination requirements and the Minimum Origination Fee (04/15/21)

Under the TAH Bond Credit Enhancement Program, the Mortgage must be originated using funds from bond proceeds that are used in the financing of targeted affordable housing. Pursuant to this chapter and the Commitment, Freddie Mac will be obligated to pay directly to the bond trustee all principal and interest payments due on the bonds. From payments made by the Borrower, the Seller will be obligated to reimburse Freddie Mac for such payments, together with Freddie Mac's credit facility fee, liquidity fee and any swap credit enhancement fee and to retain or disburse, as appropriate, the Servicing Spread and any recurring fees of other parties to the transaction that are payable from monthly collections under the reimbursement and security agreement.

### b. Eligible Mortgages (03/31/11)

A Mortgage is eligible if it is originated for the purpose of:

- New construction
- Acquisition and rehabilitation
- Refinancing through a refunding of existing bonds or
- Substitution of an existing credit facility for existing bonds

### c. Fixed-rate Mortgages (03/31/11)

Freddie Mac's bond credit enhancement of a fixed-rate Mortgage will be in the form of a bond credit enhancement agreement entered into by Freddie Mac and the bond trustee. In the bond



credit enhancement agreement, Freddie Mac will agree to pay to the bond trustee the amount of any required principal or interest payment when due.

**d. Variable-rate Mortgages (03/03/14)**

The bond credit enhancement agreement in connection with a variable-rate Mortgage must contain all of the provisions described in Section 28.1(c). In addition:

- Freddie Mac requires the Borrower to purchase an interest rate cap from an approved provider in accordance with the provisions of Section 28.12(k);
- The bond credit enhancement agreement for a variable-rate Mortgage will require Freddie Mac to pay to the bond trustee the funds necessary to enable tendered bonds that the remarketing agent is unable to remarket to be purchased on behalf of the Borrower; and
- Freddie Mac will not be obligated to pay any Mortgage interest that the Borrower fails to pay on the portion of the outstanding principal balance of the Mortgage that equals the principal amount of any bonds that have been purchased and are being held on behalf of the Borrower.

**e. Combination financing (12/16/15)**

Combination financing is the use, for one Property, of tax-exempt bonds and either a cash Mortgage or taxable bonds. It may be utilized for new bond allocations or for refundings or substitutions of bond credit enhancements. In a new bond transaction or a refunding, combination financing may allow placement of total debt that exceeds the available bond allocation. In a substitution transaction, combination financing allows Borrowers to re-leverage their Property by adding conventional debt to tax-exempt bond credit enhancement without incurring the expense or risk of re-issuing tax-exempt bonds.

The Seller must underwrite the tax-exempt bond credit enhancement and the cash Mortgage or taxable bond credit enhancement as a single financing, secured (in the case of taxable bonds) by a single security instrument or (in the case of a cash Mortgage) by separate security instruments that are cross-defaulted. The Seller must neither consider nor underwrite the cash Mortgage or taxable bond credit enhancement as secondary debt.

The following conditions also apply:

- The taxable portion of the financing must not be more than 25 percent of the total financing.
- The taxable portion must have a term no longer than the tax-exempt bond credit enhancement and must have accelerated amortization. Until the taxable portion is paid in full, all amounts that would otherwise be deposited into the principal reserve fund will be applied first to repayment of the taxable portion.
- The combination of both the tax-exempt and taxable portions of the financing will be treated as a single exposure in applying LTV, DCR and the other credit parameters of the applicable tax-exempt product.
- Freddie Mac takes into account the value of the tax-exempt financing in its calculation of the LTV; however, it will not make any adjustment for the taxable portion of the financing.

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**f. 501(c)(3) bonds (12/16/15)**

Freddie Mac will credit enhance tax-exempt bonds issued on behalf of non-profit corporations that are exempt under Internal Revenue Code Section 501(c)(3). No adjustment to Final Value is permitted for 501(c)(3) bonds.

The Seller must complete and submit the 501(c)(3) Due Diligence Checklist to Freddie Mac in the applicable underwriting package.

**g. Preservation Rehabilitation for bond credit enhancement Mortgages (09/28/18)**

Bond credit enhancement Mortgages backing fixed- or variable-rate tax-exempt bonds with 4% LIHTC are eligible for the Preservation Rehabilitation product, which provides an immediate execution for a Property with newly-issued LIHTC credits and a moderate level of planned renovations. Freddie Mac credit enhances bonds that finance the entire cost of the anticipated rehabilitation prior to the commencement of rehabilitation.

Freddie Mac defines “Preservation Rehabilitation” as rehabilitation work costing no more than \$60,000 per unit. For a bond credit enhancement Mortgage, all work must be completed and the Property must reach stabilization within 24 months of the Origination Date, or if earlier, the term of the Mortgage.

The requirements outlined in Section 19.2(e) also apply to Preservation Rehabilitation for bond credit enhancement Mortgages.

**h. LIHTC support for mixed-income Properties (06/15/23)**

LIHTC foreclosure support provides foreclosure protection for LIHTC Investors when Freddie Mac is providing the senior debt on a LIHTC mixed-income Property. The support consists of a contractual obligation for Freddie Mac to pay the LIHTC Investor, upon completion of a foreclosure action, an amount equal to the notional amount of capital contributed by the LIHTC Investor less the benefits received at the time of the change in ownership.

See Section 25.1(h) for additional requirements for LIHTC foreclosure support for mixed-income Properties.

**28.2 Additional underwriting requirements (10/21/21)**

**a. Debt service ratio (09/30/20)**

The calculation of the underwritten interest rate is outlined below:

Characteristics	Underwritten Interest Rate
Fixed-rate tax-exempt bond financing	Fixed rate necessary to repay bond + fee stack
Variable-rate tax-exempt bonds with cap	52-week SIFMA Municipal Swap Index (SIFMA) rate + fee stack + 200 basis points



Taxable Bonds	The then-applicable note index rate + fee stack + 100 basis points; or bond rate plus fee stack, if fixed
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**b. Vacancy and collection loss rate (05/05/17)**

With respect to vacancy and collection loss rates, the requirements of Section 19.2(a)(2) apply.

**c. Maximum term and amortization period (12/16/15)**

For LIHTC Properties, the maximum term and amortization period is 35 years. For non-LIHTC Properties, the maximum term and amortization period is 30 years.

**d. Adjustments to the capitalization rate for a Property with tax-exempt bond financing (12/16/15)**

For a Property with tax-exempt bond financing, Freddie Mac may adjust the capitalization rate recommended by the appraiser to take into account the value attributable to the below-market interest rate on the proposed Mortgage. The adjusted capitalization rate will not be more than 100 basis points below the market capitalization rate for a conventional property. If there is a taxable component to the financing, this adjustment will be done proportionately. Freddie Mac does not permit any other adjustments to value based on the Property's entitlement to LIHTC.

**e. Additional underwriting requirements for TAH Mortgages with subordinate debt (10/21/21)**

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 either 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 on a simple interest or compounding basis, at Freddie Mac's discretion. If the interest compounds, it must compound at a rate equal to or less than the current [Applicable Federal Rate](#).

### 28.3 General prescreen package requirements (02/28/13)

See Section 28.4 for information regarding the prescreen package, and Section 28.6 for information regarding the content of the full underwriting package.

Instructions for preparing and delivering underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

### 28.4 Initiating a transaction with Freddie Mac (07/01/14)

To initiate a transaction with Freddie Mac, the Seller must send a quote request to *Multifamily TAH Production*. After receiving the quote request, Freddie Mac will provide an indication price to the Seller. To continue with the transaction after receiving the indication price, the Seller must prepare the prescreen package. Freddie Mac specifies the list of documents that the Seller must include in the prescreen package in [Section 1.25 of Exhibit 1](#).

Chapter 55 contains a complete description of Freddie Mac's requirements for each document in a prescreen package, including a description of the required content. Contact *Multifamily TAH Production* for instructions for delivering prescreen packages to Freddie Mac.



The prescreen package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.

## 28.5 Quote (05/31/11)

### a. Issuance of the quote (05/31/11)

If the Mortgage presented in accordance with Section 28.4 appears to meet the requirements of a TAH Bond Credit Enhancement Mortgage, Freddie Mac will, at its option, issue a written Quote and will advise the Seller in writing that Freddie Mac is interested in receiving a full underwriting package. The written Quote will contain the proposed maximum Mortgage amount, indication credit facility fee, indication liquidity facility fee (if applicable), Servicing Spread, Mortgage term, amortization period (if applicable), prepayment terms and indication of the fees and expenses of Freddie Mac's outside legal counsel, as well as other Freddie Mac requirements in response to the information contained in the prescreen package or in the quote request.

### b. Indication fees (03/31/11)

Freddie Mac bases the indication fees on preliminary information about the proposed transaction and, in its sole discretion, Freddie Mac may change the indication fees. In the event the proposed transaction is a substitution or refunding and requires review and analysis of the existing bond documents by Freddie Mac's outside legal counsel, the Seller will be obligated to pay the fees and expenses of Freddie Mac's outside legal counsel associated with such review. The Seller must submit the legal fees and expenses certification required by Section 28.8(d).

### c. Obligations of the parties (03/31/11)

Issuance of a Quote will not obligate the Seller to submit a full underwriting package or obligate Freddie Mac to provide a bond credit enhancement for the proposed Mortgage.

## 28.6 Full underwriting package (04/30/19)

After Freddie Mac issues a Quote, the Targeted Affordable Housing Seller/Service must:

- Deliver a full underwriting package to the *Multifamily TAH Underwriter*,
- Obtain wire instructions from the *Multifamily TAH Underwriter*, and
- Submit an application fee to the attention of *Multifamily Cash Management*

Freddie Mac specifies the list of documents that the Seller must include in the full underwriting package sent to Freddie Mac in [Section 1.29 of Exhibit 1](#), which applies to Mortgages credit enhanced under the TAH Bond Credit Enhancement Program.

Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

The full underwriting package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.





## 28.7 Commitment (05/31/11)

The Commitment represents Freddie Mac's offer to provide a bond credit enhancement with respect to the proposed Mortgage.

### a. Issuance of the Commitment (05/31/11)

After the Seller submits a full underwriting package meeting the requirements of Section 28.6, Freddie Mac will determine if the Mortgage is acceptable.

If the contemplated Mortgage is acceptable, Freddie Mac will issue a Commitment, which will state

1. The maximum Mortgage amount
2. For a fixed-rate Mortgage, the maximum annual debt service (consisting of interest plus either scheduled principal payments or scheduled deposits to a principal reserve fund plus the sum of the Freddie Mac credit facility fee, the Servicing Spread and the other bond-related fees)
3. The loan term
4. The amortization period or the period used to determine scheduled deposits to a principal reserve fund (as applicable)
5. The Freddie Mac credit facility fee
6. The Freddie Mac liquidity facility fee, in the case of a variable-rate transaction
7. The Servicing Spread
8. The maximum Mortgage interest rate
9. All additional conditions that must be satisfied before Freddie Mac will be obligated to execute the bond credit enhancement agreement

The Commitment is valid for the period of time stated in the Commitment. If the Seller fails to accept the Commitment offer within the stated time period, the Commitment will automatically expire, and Freddie Mac will not be obligated to provide a bond credit enhancement with respect to the Mortgage under any conditions.

### b. Seller acceptance (05/31/11)

The Seller may accept the Commitment by following the procedures set forth in the Commitment.

The Commitment may require that the Seller provide a specified Commitment Fee. If the Commitment requires a Commitment Fee, the Seller also must ensure that the *Multifamily TAH Underwriter* receives the Commitment Fee by the close of business on the next Business Day following the Seller's acceptance of the Commitment. The Commitment will indicate the conditions under which the Commitment Fee will be refunded to the Seller.





After the Seller executes the Commitment, the Seller may not transfer, assign or otherwise modify the Commitment without Freddie Mac's prior written approval.

## **28.8 Freddie Mac's fees (03/03/14)**

### **a. Credit facility fee (03/31/11)**

Freddie Mac will receive a credit facility fee, which will be expressed as a percentage of the excess of the UPB of the Mortgage over the balance in any principal reserve fund (disregarding any investment earnings accumulated in the principal reserve fund). The Servicer must remit the credit facility fee to Freddie Mac each month from payments collected under the reimbursement and security agreement.

### **b. Liquidity facility fee (03/31/11)**

In the case of a variable-rate Mortgage, Freddie Mac will receive a liquidity facility fee, which will be expressed as a percentage of the UPB of the Mortgage (without reduction of the UPB by amounts on deposit in any principal reserve fund). The Servicer will remit the liquidity facility fee to Freddie Mac each month from payments collected under the reimbursement and security agreement.

### **c. Reserved (03/03/14)**

### **d. Fees and certification regarding payment of fees and expenses for Freddie Mac's outside counsel (02/29/12)**

The Seller must pay, or must require the Borrower to pay, the fees of Freddie Mac's outside counsel, as described below, at or before the bond closing.

1. Freddie Mac engages outside legal counsel to represent Freddie Mac in connection with the bond and Mortgage transactions. Such representation may include the following services:
  - a. Review of and advice regarding any existing bond documents
  - b. Advice concerning structure of the proposed transaction
  - c. Assistance in negotiations with the other parties to the proposed transaction
  - d. Participation in telephone calls related to the proposed transaction
  - e. Preparation of documents related to the proposed transaction
  - f. Review of documents prepared by other parties
  - g. Attendance at the closing of the proposed transaction as Freddie Mac's representative
2. The fee of outside counsel is a negotiated fee determined by Freddie Mac. The fee includes all reasonable out-of-pocket expenses (including photocopying, long-distance telephone, facsimile, messenger and overnight deliveries) incurred by Freddie Mac's outside legal



counsel in connection with such representation. The fee does not include any travel expenses incurred by Freddie Mac's outside legal counsel in connection with its participation in the proposed transaction. In the event the proposed transaction does not close, the fixed fee will be reduced to the actual time value of Freddie Mac's outside legal counsel, if such time value is less than the fixed fee. If significant unanticipated complications occur in the proposed transaction, Freddie Mac may adjust the fee upward to reflect the additional services required. Such additional complications include

- a. More than limited negotiation of bond or mortgage documentation
  - b. More than limited negotiation with the bond issuer regarding regulatory requirements or intercreditor arrangements
  - c. Unexpected or unforeseen changes in facts or structure that materially increase the legal work required
  - d. Existence of a ground lease or subordinate debt
  - e. Involvement of parties inexperienced in bond transactions
  - f. Failure of the Seller and the Seller's counsel to perform their respective functions in a timely manner
  - g. More than one property
  - h. More than six months' elapse from the date of the Seller's Mortgage application with the Borrower
3. The fees and expenses of Freddie Mac's outside legal counsel are payable by the Seller without regard to either the final structure of or consummation of the proposed transaction. The fees and expenses of Freddie Mac's outside legal counsel are payable, in full, upon the earlier of:
- a. The closing of the proposed transaction, or
  - b. Any decision by the Seller or by Freddie Mac, in its sole discretion, not to proceed further with the proposed transaction, or
  - c. The Seller's determination, made at the Seller's sole discretion, that the proposed transaction has been abandoned or that the completion of the proposed transaction is not feasible

Any transaction that does not close within nine months from the date of the Seller's Mortgage application with the Borrower will be deemed abandoned, and the fees and expenses of Freddie Mac's outside counsel will be payable in full.

4. Within five days of receiving the signed application from the Borrower and the certification regarding payment of fees and expenses of Freddie Mac's outside counsel, the Seller must receive a deposit from the Borrower against the fees and expenses of Freddie Mac's outside legal counsel, and must send that deposit and the certification to Freddie Mac. The



[Certification Regarding Payment of Fees and Expenses of Freddie Mac's Outside Legal Counsel](https://mf.freddiemac.com/lenders/legal) form is available at [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal).

5. The Seller may, at its option, obtain from the Borrower the additional funds with which to pay or reimburse the fees and expenses of Freddie Mac's outside legal counsel. The Seller is obligated to pay the fees and expenses of Freddie Mac's outside legal counsel or to reimburse Freddie Mac for such fees upon written notification from Freddie Mac that such sums are due, regardless of whether the Seller obtains the deposit or the balance of such funds from the Borrower or is successful in obtaining such funds at a later date.

Prior to submitting the Certification Regarding Payment of Fees and Expenses of Freddie Mac's Outside Legal Counsel to Freddie Mac, the Seller must obtain from Freddie Mac the loan number, the fee of Freddie Mac's outside legal counsel and the amount of the deposit. Freddie Mac will determine the fee for Freddie Mac's outside legal counsel and the size of the deposit.

## **28.9 Final delivery (03/31/11)**

See Chapter 32.

## **28.10 Bond documents (05/01/14)**

The bond documents must contain the following provisions, which must remain in effect as long as the bond credit enhancement agreement is in effect and Freddie Mac is not in default under that agreement:

### **a. Third party fees and costs (02/29/12)**

Freddie Mac must have no liability for

1. Issuance costs relating to the bonds, except for Freddie Mac's obligations under the bond credit enhancement agreement with respect to any portion of the bonds, the proceeds of which were used to pay costs of issuance
2. Negative arbitrage or investment losses with respect to amounts on deposit in funds or accounts held under the indenture
3. Redemption premiums payable to bondholders, or
4. Any other fees, costs or expenses (other than during any period in which Freddie Mac is the owner of the Property following foreclosure or deed-in-lieu of foreclosure or similar disposition)

### **b. Mortgage servicing (03/31/11)**

The indenture and financing agreement must acknowledge that, notwithstanding the bond trustee's beneficial ownership of the Mortgage, the bond trustee has no authority to direct or control the servicing of the Mortgage or to replace the Servicer and that Freddie Mac has the sole authority to



- Direct and control servicing of the Mortgage and
- Replace the Servicer of the Mortgage

**c. Responsibilities of the Seller (03/31/11)**

The Seller must notify Freddie Mac of any direction regarding Servicing that the Seller receives from the bond trustee. The Seller must respond to such direction as instructed by Freddie Mac.

Where the Mortgage provides for any rights to be exercised by the Seller, the Seller must consult with Freddie Mac prior to exercising any right except to the extent that Freddie Mac has delegated to the Seller the power to exercise that right without prior notification and direction.

Unless directed by Freddie Mac, the Seller must not

1. Exercise any remedy or declare any default under any Mortgage Document or any other document associated with the bond transaction
2. Waive any of Freddie Mac's rights under any Mortgage Document or any document associated with the bond transaction
3. Consent to any action under any Mortgage Document or any document associated with the bond transaction
4. Modify or amend any Mortgage Document or any document associated with the bond transaction

**d. Event of taxability (03/31/11)**

The occurrence of an event that results in the interest payable on the bonds being includable in the gross income of the owners of the bonds for federal income tax purposes, including any violation of the regulatory agreement or any of the bond documents, may not

1. Constitute a default under the bonds
2. Permit or require a mandatory redemption of the bonds, except if the bonds are fixed-rate
3. Give rise to the payment to the bondholders of any supplemental interest, liquidated damages, or other amount, or
4. Give rise to any right on the part of the bond issuer or the bond trustee to exercise or direct the exercise of any remedies under any Mortgage Document

**e. Information and notices from bond trustee (03/31/11)**

The bond trustee must provide the following information:

- To the Seller, the information necessary to calculate the credit facility fee



- To Freddie Mac and the Seller, prompt notice of all defaults and events of default that occur under the indenture or the financing agreement
- To Freddie Mac, within five Business Days after Freddie Mac's request, any information received by the bond trustee under the indenture or the financing agreement

**f. Other provisions (03/31/11)**

Freddie Mac reserves the right to require that additional provisions be included in the bond documents or to decline to approve individual provisions of the bond documents.

**g. Bond-related default provisions (05/01/14)**

The Loan Documents must provide that, at Freddie Mac's option, any of the following will constitute a default under the Mortgage:

- Any default by the Borrower under the regulatory agreement, the financing agreement or any of the other bond documents, the reimbursement and security agreement, the interest rate cap agreement or the swap agreement
- Any default under the bonds

**h. Payments of principal and interest under the Note (03/31/11)**

The Note and reimbursement and security agreement must provide that payments by the Borrower of principal of and interest on the Mortgage will not be credited against the principal or interest due under the Note until such amounts are used to reimburse Freddie Mac for amounts paid under the bond credit enhancement agreement to pay principal of or interest on the bonds.

**28.11 Additional bond document requirements for fixed-rate bonds (05/31/11)**

Freddie Mac will approve the bond documents for fixed-rate bonds only if the bond documents satisfy the following requirements, in addition to those in Section 28.10:

**a. Mandatory redemption (03/31/11)**

Mandatory redemption of bonds must be required under the following circumstances:

- In whole or in part, upon prepayment of the Mortgage
- In part, based upon a sinking fund redemption schedule approved by Freddie Mac

The bond documents may not obligate Freddie Mac to make any payments with respect to redemption premiums on the bonds

**b. Terms of the bond credit enhancement agreement (05/31/11)**

The bond credit enhancement agreement will terminate on the earliest to occur of



1. The stated termination date for the bond credit enhancement agreement set forth in the Commitment
2. The date on which the bonds have been paid in full
3. The date on which all of the bonds shall have been purchased by Freddie Mac, in accordance with the bond credit enhancement agreement
4. The date on which the bond trustee, after having received sufficient funds to redeem all of the outstanding bonds in accordance with the bond indenture, releases Freddie Mac from all obligations and liability under the bond credit enhancement agreement
5. The date immediately following the effective date another credit facility is delivered to and accepted by the bond trustee in lieu of the bond credit enhancement agreement and the bond trustee releases Freddie Mac from all obligations and liabilities under the bond credit enhancement agreement

## **28.12 Additional bond document requirements for variable-rate bonds (04/13/23)**

Freddie Mac will approve the bond documents for variable-rate bonds only if the bond documents and all parties to the bond documents satisfy the following requirements in addition to those in Section 28.10:

### **a. Bond interest rate (03/31/11)**

The bonds must initially bear interest at a variable rate of interest determined periodically, but at intervals of no less than one week, by a remarketing agent. Bondholders may have an optional right to tender their bonds for purchase at par. The Borrower may have the right to change the rate-setting mechanics, with Freddie Mac's prior written consent, to a fixed rate to maturity or a reset rate with interest determined on the basis of a reset period approved by Freddie Mac. Generally, Freddie Mac will require a reset period of not less than five years.

### **b. Remarketing (03/31/11)**

Freddie Mac must approve the remarketing agreement (under which the interest rate on the bonds will be periodically set and bonds tendered by bondholders will be remarketed) and the designated remarketing agent. Freddie Mac reserves the right to replace the remarketing agent.

### **c. Principal reserve fund (04/13/23)**

In lieu of requiring monthly payments of principal, the bond documents may provide for a principal reserve fund, into which a specified amount is deposited each month in lieu of payments of Mortgage principal.

The Borrower/Key Borrower Principal must fund the principal reserve fund based on the lesser of the bond amortization schedule or a 35-year amortization schedule at the bond rate, or, for variable-rate bonds, at the underwriting rate.



**d. Information from bond trustee (03/31/11)**

The bond trustee must provide the Seller with the information necessary to calculate the liquidity facility fee.

**e. Terms of the bond credit enhancement agreement (05/31/11)**

The bond credit enhancement agreement will terminate on the earliest to occur of

1. The stated termination date for the bond credit enhancement agreement set forth in the Commitment
2. The date on which the bonds have been paid in full
3. The date on which all of the bonds shall have been purchased by Freddie Mac, in accordance with the bond credit enhancement agreement
4. The date on which the bond trustee, after having received sufficient funds to redeem all of the outstanding bonds in accordance with the bond indenture, releases Freddie Mac from all obligations and liability under the bond credit enhancement agreement
5. The date immediately following the effective date another credit facility is delivered to and accepted by the bond trustee in lieu of the bond credit enhancement agreement and the bond trustee releases Freddie Mac from all obligations and liabilities under the bond credit enhancement agreement

**f. Reimbursement and security agreement (03/31/11)**

Contemporaneously with the issuance of the variable-rate bonds, the Borrower must enter into a reimbursement and security agreement with Freddie Mac, which must provide for

1. Reimbursement of amounts paid by Freddie Mac under the bond credit enhancement agreement to enable tendered bonds to be purchased on behalf of the Borrower
2. Replenishment of amounts withdrawn from the principal reserve fund at Freddie Mac's direction to enable tendered bonds to be purchased on behalf of the Borrower, and
3. Payment of liquidity use fees to Freddie Mac

All of these payments must be due by the earliest of

1. Ninety days after the related payment or withdrawal was made
2. The completion of remarketing or the redemption or cancellation of the purchased bonds
3. The expiration of the bond credit enhancement agreement
4. The replacement of the bond credit enhancement agreement with a substitute credit facility in accordance with the bond documents





5. The maturity date of the Mortgage

6. Acceleration of the Mortgage

**g. Pledge agreement (03/31/11)**

The Borrower must grant Freddie Mac a security interest in bonds purchased in whole or in part with amounts paid by Freddie Mac under the bond credit enhancement agreement or with withdrawals that Freddie Mac permits to be made from the principal reserve fund to secure the Borrower's payment of the reimbursements, replenishments and liquidity use fees payable under the reimbursement and security agreement.

**h. Mandatory redemption provisions (05/31/11)**

The bond documents for variable-rate bonds must require mandatory redemption or purchase in lieu of redemption of bonds under the following circumstances:

1. In whole or in part, upon any prepayment of the Mortgage
2. In whole, upon the expiration of the bond credit enhancement agreement unless the Borrower provides a substitute credit facility in accordance with the bond documents
3. In whole or in part, at the direction of Freddie Mac, upon the occurrence of an event of default under the reimbursement and security agreement
4. In part, based upon a sinking fund redemption schedule approved by Freddie Mac, except during any period when the bonds bear interest at a variable rate

**i. Substitute credit facility (03/31/11)**

The Borrower may be permitted to substitute another credit facility for Freddie Mac's bond credit enhancement agreement, if the bond documents permit a substitution and Freddie Mac consents. If the Borrower makes such a substitution during the fee maintenance period required by the Commitment, the Borrower must pay Freddie Mac a fee equal to the present value of the monthly payments of the following that would have been made during the remainder of the fee maintenance period set forth in the Commitment had the substitution not taken place:

1. Freddie Mac's credit facility fee
2. Freddie Mac's liquidity facility fee
3. Freddie Mac's swap credit enhancement fee, if any
4. The Servicing Spread

**j. Other provisions (03/31/11)**

Freddie Mac reserves the right to require that additional provisions be included, or to decline to approve other provisions of the variable-rate bond documents.



**k. Interest rate hedge agreement (09/30/20)**

Contemporaneously with the issuance of variable-rate bonds, the Borrower must enter into an interest rate hedge agreement with a provider that is on Freddie Mac's approved list (see the [Multifamily Approved Counterparty List](#)) and that agrees to execute Freddie Mac's approved documentation:

1. The interest rate hedge agreement must obligate the hedge provider to make monthly payments in an amount
  - a. For a swap, equal to the difference, if any, by which interest at the variable interest rate on the notional principal amount exceeds interest at the fixed interest rate on the notional principal amount under the swap
  - b. For a cap, equal to the excess, if any, of interest at the variable interest rate on the notional principal amount over interest on the notional principal amount at the specified fixed interest cap rate (the "strike rate")
2. The initial notional principal amount under the interest rate cap or swap agreement must be no less than the unpaid principal balance (UPB) of the Mortgage on the date the bonds are issued. At the beginning of a subsequent interest rate cap or swap, the notional principal amount may be reduced by the amount of any reductions in the UPB of the Mortgage or amounts deposited in the principal reserve fund, as applicable.
3. The variable interest rate for a swap or a cap may be either (i) the SIFMA Municipal Swap Index Rate (SIFMA) or (ii) a percentage of the then-applicable note index, as such percentage is determined by Freddie Mac, from time to time, to most closely approximate SIFMA.
4. The interest rate hedge agreement must obligate the hedge provider to post collateral as security for its obligations if its credit rating drops below a level specified in the interest rate hedge agreement.
5. Expiration of the interest rate hedge agreement
  - a. Reserved
  - b. For a cap, the expiration date of the agreement must be no earlier than five years after bond issuance. During the term of the agreement, the Borrower must make monthly deposits to a cap fee Reserve projected to be sufficient to accumulate, by the expiration date of the agreement, enough funds to equal 125 percent of the cost of a renewal, extension or replacement of the interest rate cap agreement at a strike rate not to exceed the strike rate set forth in the reimbursement and security agreement.
6. If the interest rate hedge agreement expires and the Borrower does not provide an acceptable new interest rate hedge agreement, then Freddie Mac may require conversion of the interest rate-setting mechanism on the bonds.
7. For a cap, any fee payable to the hedge provider must be paid in full upon execution of the interest rate hedge agreement.



8. For those transactions where interest rate protection is provided in the form of an interest rate swap agreement, the Loan Documents will specify that a cap fee Reserve must be established at a particular point (for example, five years) prior to the expiration of the interest rate swap agreement. The Loan Documents will specify the date on which the Borrower must begin making deposits to the cap fee Reserve. The Servicer must establish, maintain and adjust the cap fee Reserve as provided in this section and in the reimbursement and security agreement.

**l. Assignment of interest rate hedge agreement (03/31/11)**

The Borrower must grant Freddie Mac a security interest in its rights under the interest rate hedge agreement, by means of a security agreement acceptable to Freddie Mac. The security agreement must permit Freddie Mac, at any time, to demand that the hedge provider make payments under the interest rate hedge agreement to the Seller or to Freddie Mac instead of the Borrower.

**m. Interest rate computation (03/31/11)**

So long as the bonds bear interest at a variable rate, the Mortgage interest rate must be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days in the month and must be adjusted whenever the bond interest rate is adjusted. During any period when the bonds bear a fixed rate of interest through the expiration of a reset period or to their maturity, interest must be computed on the basis of 360-day year consisting of twelve 30-day months.

**n. Liquidity use fee (03/31/11)**

In the case of a variable-rate Mortgage, a liquidity use fee will be payable to Freddie Mac with respect to any funds provided by Freddie Mac to enable tendered bonds to be purchased on behalf of the Borrower or any withdrawal from the principal reserve fund for that purpose.

**o. Monthly payment billing (03/31/11)**

The reimbursement and security agreement will require the Seller to inform the Borrower monthly of the Seller's most recent monthly calculation of the amounts due from the Borrower under the Mortgage and the reimbursement and security agreement.

**p. Relationship of Mortgage payment and cap payments (05/01/14)**

The Loan Documents must provide that, if Freddie Mac has directed the interest rate cap provider to make payments under the interest rate cap agreement to Freddie Mac or to the Seller, the obligation of the interest rate cap provider to make those payments will not relieve the Borrower of its obligation to make all payments due under the Mortgage, except to the extent of payments actually made by the cap provider.

**q. Cap provider (12/12/14)**

At the time of acquisition of the cap, and based on the term of the cap the provider must be listed on the [Approved Counterparties List](#). If the cap provider is not currently approved, the Seller must provide Freddie Mac with a completed Counterparty Approval Request, available on [FreddieMac.com](#).



Unless the Seller has obtained Freddie Mac's prior written approval, the following cap providers are not permitted:

- The Seller or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by the Seller, 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 interest rate cap agreement) throughout the term of the cap.

### **28.13 Disclosure (03/31/11)**

#### **a. Official statement (03/31/11)**

The cover of any preliminary or final official statement or other offering materials prepared by the bond issuer with respect to the bonds, and any portions of such materials relating to the security for the bonds, must include a bold caption. Freddie Mac will provide language for the caption. The caption will state that the obligations of Freddie Mac under the bond credit enhancement agreement are obligations solely of Freddie Mac, and neither those obligations nor the bonds are debts of or guaranteed by the United States or any agency or instrumentality of the United States.

Any other disclosure regarding Freddie Mac that the bond issuer chooses to include in such materials must consist solely of information provided by Freddie Mac.

#### **b. Securities and Exchange Commission Rule 15c2-12 (03/31/11)**

Freddie Mac will have no obligation to execute the bond credit enhancement agreement if, in Freddie Mac's discretion, Freddie Mac believes there exists a substantial risk that Freddie Mac is or will be deemed to be an "issuer" or an "obligated person" within the meaning of Securities and Exchange Commission Rule 15c2-12.

### **28.14 Freddie Mac's review and approval (02/29/12)**

#### **a. Prior review of bond documents and structure (02/29/12)**

1. Freddie Mac and Freddie Mac's counsel must approve the structure and documentation for the bonds before the bonds are issued or the Mortgage is originated.
2. The Security Instrument must be prepared using the Freddie Mac Multifamily Loan Documents for the State where the Property is located, modified as necessary to reflect the terms of the Note and the bond transaction. Freddie Mac's counsel will provide suggested forms for
  - A financing agreement among the bond issuer, the bond trustee and the Borrower,



- An indenture securing the bonds, and
- The Note.

The parties are not required to use Freddie Mac's suggested forms for these documents, so long as Freddie Mac and Freddie Mac's counsel approve the documents the parties do use prior to issuance of the bonds.

**b. Bond rating and bond opinion (02/29/12)**

Prior to executing the bond credit enhancement agreement, Freddie Mac must receive

1. A rating letter or other evidence satisfactory to Freddie Mac indicating that the bonds, when issued, will bear a rating by Standard & Poor's Ratings Services or Moody's Investors Service that is acceptable to Freddie Mac.
2. An unqualified opinion, satisfactory to Freddie Mac, from a nationally recognized bond counsel as to
  - The authorization and valid issuance of the bonds
  - The validity of the lien of the indenture
  - The excludability from gross income, for federal income tax purposes, of the interest payable on the bonds
  - Freddie Mac's right to rely upon the opinion, or alternatively, a reliance letter addressed to Freddie Mac giving Freddie Mac the right to rely upon the opinion of the bond counsel

**28.15 UCC continuation and termination statements (05/01/14)**

The Seller's responsibility for filing UCC (Uniform Commercial Code) continuation and termination statements applies only to financing statements under which Freddie Mac is the secured party, and does not apply to financing statements under which the bond issuer or the bond trustee is the only secured party. With respect to any financing statement under which Freddie Mac is the secured party, the Seller must not file a termination statement until the bond credit enhancement agreement has terminated and all obligations of the Borrower under the reimbursement and security agreement have been satisfied. See Section 29.4 and the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase) for further information about UCC financing statements.

**28.16 General Servicing policy for bond credit enhancements (04/30/19)**

Unless otherwise stated in the Commitment or this chapter, the Servicing of each bond credit enhancement must meet the requirements of Chapters 36 and 38 through 43.

**a. Servicing Spread (03/31/11)**

The monthly Servicing Spread will be the servicing fee stated in the Commitment. The servicing fee is not included in interest payable under the reimbursement and security agreement. The Servicer will earn the servicing fee when it collects the separate payments of that fee that are payable under the reimbursement and security agreement.

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**b. Late fees (03/31/11)**

The Seller will not be entitled to any share of the late charges.

**c. Subordinate financing, partial release, condemnation or easement (03/31/11)**

Any required submission from the Seller to Freddie Mac regarding a proposed subordinate financing, partial release, condemnation or easement must include a summary of any applicable provisions of the documents associated with the bond transaction.

**d. Advance notice of prepayment (03/31/11)**

The Servicer must forward a copy of any advance notice of prepayment to the bond trustee at the same time as the Seller forwards that notice to *Multifamily Loan Accounting*.

**e. Evasion of prepayment restrictions (04/30/19)**

The Servicer must notify the bond trustee and *Multifamily Loan Accounting* of any attempt by the Borrower to avoid the prepayment restrictions

**f. Notice of principal reductions (03/31/11)**

Any redemption of bonds using funds withdrawn at Freddie Mac's direction or with Freddie Mac's consent from the principal reserve fund will effect a reduction of the UPB of the Mortgage equal to the principal amount of bonds redeemed. If the Servicer receives notice from the bond trustee that a redemption has taken place, the Servicer must notify the Borrower of the resulting change in the UPB of the Mortgage.

## **28.17 Billing and collections (07/01/14)**

The Servicer must diligently attempt to collect the amounts described in this section, at the times they are due and payable under the Loan Documents, the reimbursement and security agreement and the interest rate cap agreement.

**a. Reimbursements (07/31/12)**

The Servicer must collect reimbursements according to these procedures:

1. Three Business Days before the last Business Day of each month, the Servicer must compute and notify the Borrower of the amounts payable by the Borrower to the Servicer no later than two Business Days before the last Business Day of the month to reimburse Freddie Mac for (i) any of its outstanding credit advances or liquidity advances and (ii) the credit advance to be made by Freddie Mac on the first Business Day of the following month.
2. The Servicer must invoice the Borrower and the Borrower must pay (i) interest accrued for those days of the month for which the Servicer knows the mortgage rate and (ii) the last known rate (plus such other amount as required under the reimbursement and security agreement) for those days of the month, if any, for which the Servicer does not know the rate.





3. If the amount invoiced by the Servicer is greater than the actual interest that actually accrued, the Servicer must credit the excess amount against the sums due for the following monthly payment.
4. If the amount paid is less than the accrued interest, the Servicer must send the Borrower a revised invoice that requires the Borrower to pay such deficiency within one Business Day of receipt of the revised invoice.

Notwithstanding the foregoing in the event the Servicer wishes to avoid the estimated billing procedures and billing timing requirements set forth in this Section and in the reimbursement and security agreement, the Servicer may initiate the use of alternative billing procedures that do not require the estimation of any interest rates, provided that: (a) prior to instituting such alternate billing procedures, the Servicer shall have notified the Borrower in writing of its desire to forego such procedures pursuant to a notice substantially identical to the notice set forth in [Form 1063, Notice Letter – Alternative CE Bond Billing Procedure](#); (b) the Borrower shall have consented to the institution of the alternate billing procedures described in such notice; and (c) the Servicer shall comply with the alternate billing procedures described in such notice; and (d) all of the Servicer's future remittances of principal, interest and fees to Freddie Mac are received by Freddie Mac on or before the date on which the bond trustee is scheduled to draft from Freddie Mac under the credit enhancement agreement the bond Mortgage funds due, regardless of the date of the billing statement prepared by the Servicer or the date of the Servicer's delivery of such billing statement to the Borrower.

**b. Cap payments (03/31/11)**

The Servicer must collect reimbursements according to these procedures:

1. Three Business Days before the last Business Day of the month, the Servicer must compute the amount of the payment that the cap provider is obligated to make for the current month.
2. The Servicer must notify the Borrower of both (i) the full amount of the cap payment that will be due to the Servicer two Business Days before the last Business Day of the month and (ii) the portion of that payment that will be due from the Borrower if the cap provider makes the required payment under the interest rate cap agreement on a timely basis.
3. The Servicer must apply each payment it receives from the cap provider to the reimbursement due to Freddie Mac under the reimbursement and security agreement.
4. If the Borrower agrees, the Servicer may collect the full reimbursement amount from the Borrower and remit to the Borrower any corresponding amount the Servicer receives from the cap provider.

**c. Liquidity reimbursements (03/31/11)**

If Freddie Mac has notified the Servicer that Freddie Mac has made a liquidity advance or if there has been a liquidity or nonliquidity withdrawal, the Servicer must compute the following amounts payable by the Borrower to the Servicer under the reimbursement and security agreement and must notify the Borrower of the amount according to the following schedule:





1. For reimbursement of any of Freddie Mac's outstanding liquidity advances, in accordance with the reimbursement and security agreement
2. For replenishment of liquidity withdrawals and nonliquidity withdrawals, in accordance with the reimbursement and security agreement
3. For interest with respect to liquidity advances and nonliquidity withdrawals, three Business Days before the last Business Day of the month. The payment is due to the Servicer two Business Days before the last Business Day of the month
4. For liquidity use fees with respect to liquidity withdrawals, three Business Days before the last Business Day of the month. The payment is due to the Servicer two Business Days before the last Business Day of the month

**d. Prepayments (03/31/11)**

A voluntary prepayment of the bond mortgage by the Borrower will necessitate a credit advance by Freddie Mac in order to effect a redemption of bonds. If the Borrower or Freddie Mac informs the Servicer that the Borrower intends to make a voluntary prepayment, the Servicer must request instructions from *Multifamily Loan Accounting*. Unless otherwise instructed by Freddie Mac, the Servicer must request that the Borrower deposit the reimbursement of any anticipated credit advance on or before the date on which that credit advance is to be made. The Servicer must notify *Multifamily Loan Accounting* when it receives the Borrower's reimbursement.

**e. Other amounts (07/01/14)**

The Servicer must diligently attempt to collect all of the following, at the times they are due and payable under the Loan Documents and the reimbursement and security agreement:

1. Any monthly deposit to the principal reserve fund
2. Any monthly replacement reserve deposit
3. Any monthly Reserve deposits required by the Loan Documents for taxes and insurance premiums
4. Any other Reserve deposits required by the Loan Documents
5. Any swap payments owed by the Borrower to the swap provider under the swap agreement

**28.18 Cap fee Reserves (02/28/18)**

Unless otherwise stated, the Reserves for each bond credit enhancement must meet the requirements of Chapter 52.

**a. Deposits to cap fee Reserves (02/28/18)**

The Servicer must deposit the following in the cap fee Reserve, to the extent received from the Borrower:



1. Any initial deposit to the cap fee Reserve required by the reimbursement and security agreement
2. The monthly deposit that the Borrower is required to make under the reimbursement and security agreement for the purpose of accumulating funds sufficient to cover 125 percent of the projected cost of a renewal, extension or replacement of an interest rate cap agreement prior to the expiration date of the existing interest rate hedge agreement
  - a. Upon bond closing, if the interest rate hedge agreement is a cap, the Servicer will calculate the initial monthly cap Reserve payment based on the purchase price of the rate cap agreement and inform the Borrower of that amount. If the interest rate hedge agreement is a swap, the Servicer will perform the escrow analysis at the time provided for in the reimbursement and security agreement.
  - b. Within 10 days of bond closing, the Servicer must complete the information on the first page of the Kensington Cap Escrow Adjustment Form and submit the form to Kensington Capital Advisors LLC ("Kensington") at [capinfo@kensington-advisors.com](mailto:capinfo@kensington-advisors.com), together with the pertinent pages governing the cap fee Reserve from the reimbursement and security agreement. The [Kensington Cap Escrow Adjustment Form](https://mf.freddiemac.com/lenders/asset) is available at [mf.freddiemac.com/lenders/asset](https://mf.freddiemac.com/lenders/asset).
  - c. Thirty days prior to the due date of each cap fee Reserve adjustment, Kensington will provide each Servicer with a list of bond credit enhancements requiring review of the cap fee Reserve deposits. Upon receipt of the list of credit enhanced bonds, the Servicer must provide Kensington with the outstanding notional balance of the existing hedge and the cap fee Reserve balance for each of the bonds on the list. Kensington will determine the new monthly cap fee Reserve payment and return the completed Kensington Cap Escrow Adjustment Form to the Servicer. The Servicer must review and sign the completed Kensington Cap Escrow Adjustment Form indicating its approval.
  - d. The Servicer must notify the Borrower of the amount of the new monthly deposit for the cap fee Reserve.
  - e. With respect to each subsequent cap fee Reserve adjustment, the Servicer must provide Kensington not less than 15 days prior to the date of which the cap fee Reserve will be adjusted, (i) the then notional amount of the hedge and (ii) the then current balance in the cap fee Reserve.
  - f. Kensington will calculate the adjusted cap fee Reserve amount and submit it to the Servicer. The Servicer must review and approve all subsequent adjustments to cap fee Reserve payments required under the reimbursement and security agreement in the manner set forth in this section and in accordance with the terms of the reimbursement and security agreement.

Freddie Mac reserves the right, after notice to the Servicer, to require the Servicer to obtain Freddie Mac's approval for all cap fee Reserve adjustments for a Mortgage. This notification may be via e-mail from Freddie Mac's *Multifamily Asset Management* representative.

The Servicer will not have the authority to modify, waive any term of, or release the cap fee Reserve Custodial Account or cap agreement or any other Mortgage Document executed in connection with any bond credit enhancement without written authorization from Freddie Mac.



**b. Investment of cap fee Reserve (10/31/12)**

The Servicer may invest amounts in the cap fee Reserve only in the following:

1. Direct obligations of the U.S. Government, the Federal Home Loan Bank, Freddie Mac, Fannie Mae or the Federal Farm Credit Bank
2. Certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation
3. Obligations, the interest on which is excludable from gross income for federal income tax purposes, with a “Moody’s Investment Grade One” rating, or bonds, the interest on which is excludable from gross income for purposes of federal income taxation, that are rated not lower than “Aa” or “AA” by either Moody’s Investors Service (Moody’s) or Standard & Poor’s Ratings Group (S&P) or by both if ratings from both agencies have been obtained. The Servicer may purchase no more than ten percent of the total issue of any such obligations and must select issues of at least \$20 million in total issue size
4. Commercial paper with a rating of at least “A-1” by S&P and at least “P-1” by Moody’s
5. Corporate notes and bonds with a rating of at least “AA” from Moody’s and S&P
6. Shares or other interests in mutual funds that invest exclusively in any of the categories of investments described in paragraphs (1) through (5) above

Each of the above must have a maturity not later than the earlier of (i) six months from the date of investment or (ii) the date on which such money is required.

**c. Liquidation of investments (10/31/12)**

The Servicer must not liquidate any instrument in which it has invested funds in the cap fee Reserve prior to that instrument’s maturity unless the Servicer has received Freddie Mac’s prior written approval.

**d. Disposition of investment earnings (07/01/14)**

If the Borrower is not in default under any document associated with the bond transaction, the Servicer may remit interest earnings received from investment of amounts in the cap fee Reserve to the Borrower in the manner provided in the reimbursement and security agreement.

**e. Investment losses (05/01/14)**

If the Servicer’s investment of amounts in the cap fee Reserve complies with this section, the Servicer will not be responsible to Freddie Mac for losses from such investments. Should a loss occur from any of the above investments, the Servicer must diligently seek to recover these losses from the Borrower to the extent the Loan Documents, the bond documents and the bond credit enhancement documents require the Borrower to replenish such losses.

The Servicer may not commingle amounts in the cap fee Reserve with any other Reserves relating to the Property.



## **28.19 Application of payments (10/31/12)**

Unless otherwise stated, the application of payments for each bond credit enhancement must meet the requirements of Chapter 53.

### **a. Application of payments under reimbursement and security agreement (10/31/12)**

The Servicer must apply all payments received under the reimbursement and security agreement in the following order unless otherwise instructed by Freddie Mac:

1. To Freddie Mac's credit facility fee
2. To Freddie Mac's liquidity facility fee
3. To the Servicing fee
4. To prepayment/substitution premiums
5. To required deposits to the cap fee Reserve
6. To required deposits to the Replacement Reserve
7. To required Reserve deposits
8. To interest due on credit advances and nonliquidity withdrawals
9. To interest due on liquidity advances
10. To liquidity use fees
11. To reimbursement of credit advances, in the order in which made
12. To reimbursement of liquidity advances and replenishment of liquidity withdrawals and nonliquidity withdrawals, in the order in which such reimbursements and replenishments became due
13. To the scheduled monthly deposit to the principal reserve fund (or, in the event the bonds are amortizing, to principal due)
14. To default interest
15. To other amounts due under the reimbursement and security agreement

### **b. Application of payments under reimbursement and security agreement (03/31/11)**

Payments from or on behalf of the Borrower may include payments of principal or interest on purchased bonds pledged to Freddie Mac.



## 28.20 Remittances (06/12/23)

Unless otherwise stated, remittances for each bond credit enhancement must meet the requirements of Chapter 53.

So long as the bond credit enhancement agreement is in effect and all of the bonds have not been redeemed or canceled, the Servicer must remit, deposit or retain the funds collected under the Loan Documents, the reimbursement and security agreement and the interest rate cap or swap agreement in accordance with this section.

On the second Business Day after the Servicer receives any payments due to Freddie Mac under the reimbursement and security agreement and the interest rate cap or swap agreement, the Servicer must remit such payments to Freddie Mac via the myOptigo® Servicer Remittance system, as described in Section 53.7.

Not later than two Business Days following receipt by the Servicer from the Borrower of any swap payment owed to the swap provider under the swap agreement, the Servicer must remit such swap payment to the swap provider.

The Servicer must remit to the bond trustee for deposit in the principal reserve fund any funds applicable to such fund, as provided in the Loan Documents. The Servicer must make any remittance to the bond trustee by wire transfer in accordance with the bond credit enhancement agreement.

The Servicer must remit any bond fee component payable as provided in the financing agreement.

The Servicer must retain any payments or deposits required for the cap fee Reserve, the Replacement Reserve and any other applicable Reserves for deposit into the appropriate Custodial Account.

The Servicer may retain the servicing fee and a portion of any prepayment/substitution premium. The Servicer's portion of the prepayment/substitution premium is determined by the following formula:

- The dollar amount of the substitution/prepayment premium multiplied by a fraction, the numerator of which is the annual servicing fee (expressed as a percentage) and the denominator of which is the sum of Freddie Mac's annual credit enhancement fee and the annual servicing fee (also expressed as percentages).

## 28.21 Accounting (10/31/12)

Unless otherwise stated, accounting for each bond credit enhancement must meet the requirements of Chapter 54.

### a. Partial payments (10/31/12)

In the event of a partial payment entailing a shortfall of over \$15 in an amount due to be remitted to Freddie Mac, the Servicer must notify *Multifamily Loan Accounting* of the shortfall. On the applicable remittance date, the Servicer must remit the partial payment to Freddie Mac, rather than holding the partial payment in suspense or escrow.



**b. Mortgage payoff quotes (03/31/11)**

If the Servicer receives a request for a payoff amount, the Servicer must

- Refer to the bond trustee all Borrower requests for a quote of a payoff amount or prepayment premium for the Mortgage
- Request a copy of any such quote from the bond trustee
- Notify *Multifamily Loan Accounting Payoffs* of the Borrower's request

The Servicer shall not consent to a prepayment of the Mortgage without Freddie Mac's prior written consent.

**c. Reimbursement and security agreement payoff quotes (03/31/11)**

The Servicer must respond to any Borrower request for a quote of amounts due under the reimbursement and security agreement in the same manner as a request for a quote of amounts due under a Mortgage purchased by Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program.

**d. Prepayment/substitution premium quotes (03/31/11)**

The Servicer must confirm with *Multifamily Loan Accounting Payoffs* the calculation of any prepayment/substitution premium before quoting it to the Borrower.

**e. Variable-rate interest calculations (03/31/11)**

During any period when interest on the bonds, and therefore interest on the bond Mortgage, is computed on a variable-rate basis, the Servicer must compute such interest for a full month, based on actual days and a 365/366-day year as provided in the indenture.

**28.22 Reporting (03/31/11)**

Unless otherwise stated, reporting for each bond credit enhancement must meet the requirements of Chapter 54.

**a. Loan-level transactions (03/31/11)**

1. For Borrower payments received prior to the 10th day of the month, the Servicer's report of loan-level transactions must reach Freddie Mac no later than the 10th day of the month in which the payment was received by or on behalf of the Borrower under the reimbursement and security agreement or the interest rate cap or swap agreement. If no payments are received, the Servicer's report must reach Freddie Mac not later than the third Business Day after the 15th day of the month. Each report of a loan-level transaction must include the following:
  - Reductions in the UPB of the Mortgage since the previous month's accounting cut-off date



- Bond interest paid since the previous month's accounting cut-off date
- Any other amounts collected by the Servicer in connection with the transaction

The Servicer's report may be based upon information received from the bond trustee.

2. For Borrower payments received on or after the 10th day of the month, the Servicer's report of loan-level transactions must reach Freddie Mac not later than the third Business Day after the Servicer receives any payment by or on behalf of the Borrower under the reimbursement and security agreement or the interest rate cap or swap agreement. If no payments are received, the Servicer's report must reach Freddie Mac not later than the third Business Day after the 15th day of the month. Each report of a loan-level transaction must include the following:

- Reductions in the UPB of the Mortgage since the previous month's accounting cut-off date
- Bond interest paid since the previous month's accounting cut-off date
- Any other amounts collected by the Servicer in connection with the transaction

The Servicer's report may be based upon information received from the bond trustee.

**b. Other amounts (03/31/11)**

The Servicer must report, as instructed by Freddie Mac, all other amounts remitted by the Servicer that cannot be reported as part of a loan-level transaction.

**c. Principal reporting errors (03/31/11)**

If the Servicer erroneously reports a principal reduction, the Servicer must notify *Multifamily Loan Accounting* and request instructions on how to correct the error.

## **28.23 Mortgage interest rate (03/03/14)**

Freddie Mac will be obligated to execute and deliver the bond credit enhancement agreement only if both of the following conditions are satisfied:

- The reimbursement and security agreement requires the Borrower to pay:
  - All principal and interest payments made by Freddie Mac under the bond credit enhancement agreement
  - The bond interest rate, as later determined at the time of bond pricing (see below)
  - Freddie Mac's credit facility fee
  - Freddie Mac's liquidity facility fee, if any
  - The Servicing Spread





- Deposits to the cap fee Reserve, if applicable
- Any recurring fees of other parties to the transaction (such as the bond trustee, bond issuer and remarketing agent) that will be payable from interest paid on the Mortgage
- The Mortgage interest rate does not exceed the maximum Mortgage interest rate specified in the Commitment

## 28.24 Regulatory agreement compliance monitoring (04/30/19)

The Servicer must:

1. Obtain a copy of any quarterly, annual or other periodic certificate of compliance with the regulatory agreement or other evidence of compliance submitted by the Borrower to the bond issuer or the bond issuer's designee
2. With its annual risk assessment, submit to *Multifamily Asset Management, Asset Performance and Compliance* a copy of this evidence of compliance with the regulatory agreement
3. If no annual risk assessment is required by Freddie Mac, provide *Multifamily Asset Management, Asset Performance and Compliance* with a copy of evidence of compliance with the regulatory agreement within 30 days after the later of (i) the date by which the Borrower is required to submit the evidence of compliance to the bond issuer or the bond issuer's designee or (ii) the date on which the Borrower actually submits the evidence to the bond issuer or the bond issuer's designee
4. Take any other steps that Freddie Mac directs to verify the Borrower's compliance with the regulatory agreement

# Multifamily Seller/Service Guide

## Chapter 28A

### Originating a Targeted Affordable Housing Bond Credit Enhancement Mortgage under a Forward Contract



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- 28A.2 [Description of a Forward Commitment \(08/30/13\)](#)
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## 28A.1 Overview (02/27/25)

### a. Availability of Forward Commitments (12/14/23)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Bond Credit Enhancement originated under a Forward Commitment. To be eligible to enter into a Forward Commitment, a Targeted Affordable Housing Seller/Servicer must meet the requirements specified in Section 3.13.

See [Exhibit 2, Origination Guidelines for Affordable Products](#), for additional information about the types of affordability components that are available to Targeted Affordable Housing Seller/Servicers.

Because Freddie Mac will provide bond credit enhancements only on a negotiated basis, the underwriting and bond structure requirements may vary from one transaction to another. Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

### b. Origination requirements and the Minimum Origination Fee (04/15/21)

Under the TAH Bond Credit Enhancement Program, the Mortgage must be originated using funds from bond proceeds that are used in the financing of targeted affordable housing. Pursuant to this chapter and the Forward Commitment, Freddie Mac will be obligated to pay directly to the bond trustee all principal and interest payments due on the bonds. From payments made by the Borrower, the Seller will be obligated to reimburse Freddie Mac for such payments, together with Freddie Mac's credit facility fee, liquidity fee and any swap credit enhancement fee, and to retain or disburse, as appropriate, the Servicing Spread and any recurring fees of other parties to the transaction that are payable from monthly collections under the reimbursement and security agreement.

### c. Eligible Mortgages and Mortgage requirements (12/15/20)

A Mortgage is eligible if it is originated for the purpose of new construction or substantial rehabilitation. However, Preservation Rehabilitation Mortgages are not eligible for Forward Commitments.

The Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of interest rate lock.

See the following sections in Chapter 28, Originating a Targeted Affordable Housing Bond Credit Enhancement Mortgage for additional requirements:

- Section 28.1(c): Fixed-rate Mortgages
- Section 28.1(d): Variable-rate Mortgages
- Section 28.1(e): Combination financing
- Section 28.2: Mortgage Requirements



**d. Underwriting and prescreen package requirements (02/28/13)**

See the following for information regarding the content of the prescreen and full underwriting packages for Forward Commitments:

- Section 28A.6: Prescreen package
- Section 28A.8: Full underwriting package

Instructions for preparing the prescreen package and the full underwriting package and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

The Seller should plan for a reasonable period for Freddie Mac to process and review the prescreen package and full underwriting package before receipt of the Quote or the Forward Commitment, as appropriate.

**e. Freddie Mac's review of construction documentation (02/27/25)**

The Seller must submit the following for Freddie Mac to review as part of the full underwriting package:

- A preconstruction analysis report, as described in Section 63.3(a)
- A narrative summary, including a property and site description and a summary analysis of the development team's qualifications, that is prepared by the Chief Architect/Engineer, as outlined in Section 63.3(c) and [Exhibit 1.32](#).

**28A.2 Description of a Forward Commitment (08/30/13)**

A Forward Commitment provides a single source of construction and permanent financing for new construction or substantial rehabilitation of a multifamily Property that qualifies as a Targeted Affordable Housing Product. In this chapter, the term "construction" will include substantial rehabilitation.

A Forward Commitment is executed by the Seller and Freddie Mac. In it Freddie Mac commits to locking the bond credit enhancement fees, amount and terms; the Seller commits to originating the permanent Mortgage using funds from the bond proceeds when the project is complete and has met the conditions for Conversion. The Property must reach stabilization and meet the additional Conversion criteria set forth in Section 28A.14 before the permanent Mortgage can be originated.

**a. Types of Forward Commitments (05/31/11)**

There are two types of Forward Commitments: Funded Forward Commitments and Unfunded Forward Commitments:

- In a Funded Forward Commitment, Freddie Mac provides credit enhancement and liquidity support for the bonds, if applicable, during the construction period and, as

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security for the funds, requires the construction lender to provide Freddie Mac with the Construction Phase Letter of Credit.

- In an Unfunded Forward Commitment, Freddie Mac does not provide credit enhancement or liquidity support for the bonds until construction has been completed and the permanent Mortgage is originated.

**b. Defined terms for Forward Commitments (08/30/13)**

The Seller should be familiar with the following terms applicable to Forward Commitments, which are defined in the Glossary:

- Construction Loan
- Construction Phase Financing Agreement
- Construction Phase Letter of Credit
- Conversion
- Forward Commitment Maturity Date

**28A.3 Forward Commitment Property Inspection (03/03/17)**

Freddie Mac requires a Forward Commitment Property Inspection for every Forward Commitment. See Section 8.16 for Freddie Mac's requirements for the Forward Commitment Property Inspection.

**28A.4 Construction lender (10/21/21)**

The Seller must determine that the construction lender

- Employs an experienced, fully-staffed construction lending department
- Demonstrates sufficient construction lending experience with successful construction lending on projects of similar size and complexity for the relevant type of property
- Will execute a Construction Phase Financing Agreement with Freddie Mac

The construction lender must execute the Construction Phase Financing Agreement at the same time as the bond closing. In addition, for a Funded Forward Commitment, Freddie Mac must be secured during construction by the Construction Phase Letter of Credit. See Section 28A.11 for additional requirements for the Construction Phase Letter of Credit.

**28A.5 Prescreen package (07/01/14)**

To initiate a transaction with Freddie Mac, the Seller must send a quote request to *Multifamily TAH Production*. After receiving the quote request, Freddie Mac will provide an indication price to the Seller. To continue with the transaction after receiving the indication price, the Seller must



prepare the prescreen package. Freddie Mac specifies the list of documents that the Seller must include in the prescreen package in [Section 1.25 of Exhibit 1](#).

Chapter 55 contains a complete description of Freddie Mac's requirements for each document in a prescreen package, including a description of the required content. Contact *Multifamily TAH Production* for instructions for delivering prescreen packages to Freddie Mac.

The prescreen package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.

## **28A.6 Quote (05/31/11)**

### **a. Quote (05/31/11)**

If the Mortgage presented in the prescreen package appears to meet the requirements of the TAH Bond Credit Enhancement Forward Commitment Program, Freddie Mac will issue a written Quote and will advise the Seller in writing that Freddie Mac is interested in receiving a full underwriting package. The written Quote will contain the proposed maximum Mortgage amount, indication spread, term, construction period, amortization period (if applicable) and prepayment terms as well as other Freddie Mac requirements in response to the information contained in the prescreen package.

### **b. Indication spread (05/31/11)**

Freddie Mac bases the indication spread communicated to the Seller on preliminary information about the proposed transaction and, in its sole discretion, Freddie Mac may change the indication spread.

### **c. Obligations of the parties (05/31/11)**

Issuance of a Quote will not obligate the Seller to submit a full underwriting package or obligate Freddie Mac to provide a bond credit enhancement for the proposed Mortgage.

## **28A.7 Full underwriting package (07/01/14)**

After Freddie Mac issues a Quote, the Seller may deliver a full underwriting package to Freddie Mac. In conjunction with the delivery of the full underwriting package, the Seller must submit an application fee. Freddie Mac specifies the list of documents that the Seller must include in the full underwriting package sent to Freddie Mac in [Section 1.32 of Exhibit 1](#), which applies to Mortgages originated under the TAH Bond Credit Enhancement Forward Commitment Program.

Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

The full underwriting package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.





## 28A.8 Forward Commitment (04/15/21)

The Forward Commitment represents Freddie Mac's offer to provide a bond credit enhancement agreement with respect to the proposed Mortgage.

### a. Issuance of the Forward Commitment (04/15/21)

After the Seller submits a full underwriting package meeting the requirements of Section 28A.7, Freddie Mac will determine if the Mortgage is acceptable.

If the contemplated Mortgage is acceptable, Freddie Mac will issue a Forward Commitment, which will state

1. The maximum Mortgage amount
2. For a fixed-rate Mortgage, the maximum annual debt service (consisting of interest plus either scheduled principal payments or scheduled deposits to a principal reserve fund plus the sum of the Freddie Mac credit facility fee, the Servicing Spread and the other bond-related fees)
3. The loan term
4. The amortization period or the period used to determine scheduled deposits to a principal reserve fund (as applicable)
5. The Freddie Mac credit facility fee
6. The Freddie Mac liquidity facility fee, in the case of a variable-rate transaction
7. The Servicing Spread
8. The maximum Mortgage interest rate
9. All additional conditions that must be satisfied before Freddie Mac will be obligated to execute the bond credit enhancement agreement

The Forward Commitment is valid for the period of time stated in the Forward Commitment. If the Seller fails to accept the Forward Commitment offer within that stated time period, the Forward Commitment will automatically expire, and Freddie Mac will not be obligated to provide a bond credit enhancement agreement with respect to the Mortgage under any conditions. The Forward Commitment will automatically incorporate by reference the terms set forth in Section 27.29, as applicable.

### b. Seller acceptance (05/31/11)

The Seller may accept the Forward Commitment by following the procedures set forth in the Forward Commitment.

The Forward Commitment may require that the Seller provide a specified Commitment Fee. If the Forward Commitment requires a Commitment Fee, the Seller also must ensure that the *Multifamily TAH Underwriter* receives the Commitment Fee by the close of business on the



next Business Day. The Forward Commitment will indicate the conditions under which the Commitment Fee will be refunded to the Seller.

After the Seller executes the Forward Commitment, the Seller may not transfer, assign or otherwise modify the Forward Commitment without Freddie Mac's prior written approval.

### **28A.9 Freddie Mac's fees (05/31/11)**

See Section 28.8 for a description of the applicable credit facility fee, liquidity facility fee, swap credit enhancement fee and legal fees and certification regarding payment of fees and expenses for Freddie Mac's outside counsel.

With respect to fees and expenses for Freddie Mac's outside counsel at Conversion, the Seller must pay, or must require the Borrower to pay, the legal fees and expenses (based on actual time and hourly rates) of Freddie Mac's outside counsel for representing Freddie Mac in connection with the Conversion of the Mortgage. Such fees and expenses must be paid on or before the Conversion date.

### **28A.10 Construction period security for a Funded Forward Commitment (05/01/14)**

Freddie Mac must be secured during construction by a Construction Phase Letter of Credit, which must be:

- In a form acceptable to Freddie Mac and meeting all requirements set forth in Section 11.2
- In an amount equal to the original principal amount of the bonds plus 45 days' interest at the bond rate for a variable rate Mortgage or 210 days' interest at the bond rate for a fixed rate Mortgage
- With an expiration date no earlier than 60 days after the Forward Commitment Maturity Date set forth in the Forward Commitment
- Accompanied by an opinion of the issuer's counsel with respect to the issuer of the letter of credit that meets the requirements of Section 11.2

No later than the first Business Day immediately after the Bond and Construction Loan closing, the Seller must deliver a Forward Commitment Initial Delivery Package to *Multifamily Purchase*. The requirements for the Forward Commitment Initial Delivery Package are found in [Exhibit 1.32](#).

### **28A.11 Construction monitoring (08/18/22)**

See Chapter 19A for Freddie Mac's requirements for construction monitoring.

### **28A.12 Extending the Forward Commitment (10/21/21)**

#### **a. General (05/31/11)**

Each extension granted by Freddie Mac under the Forward Commitment may be for a period of no more than six months. The Forward Commitment may specify a stand-by fee to be assessed based on the length of the extension.



Freddie Mac may grant a second extension that may be no more than six months. Freddie Mac will charge a fee based on the length of the extension to hold the original interest rate or spread set forth in the Forward Commitment.

In connection with any extension, the Seller must confirm to Freddie Mac that

- The Seller has copies of the amendments extending the Construction Loan documents and any approved subordinate financing documentation, including evidence of recordation of all applicable documents, and
- The Seller has taken other such steps and acts as may be necessary or appropriate to perfect and continue Freddie Mac's liens upon and security interest in the Property

The Borrower is responsible for all fees and costs associated with such extensions, including letter of credit fees, legal fees and recording costs, as applicable.

**b. Request for extension (10/21/21)**

**1. First extension**

No later than 30 days prior to the Forward Commitment Maturity Date, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a first extension, and must include the following:

- A synopsis of the deal
- A reason for the extension request
- Projected stabilization timeline

Within seven Business Days following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension, the amount of the stand-by fee and the amount of the extension fee via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS.

The term of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date and no later than 30 days prior to the expiration of the Construction Phase Letter of Credit or any letters of credit for the Commitment Fee.

**2. Second or subsequent extension**

No later than 30 days prior to the Forward Commitment Maturity Date, as extended, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a second or subsequent extension, and must include the following:

- A synopsis of the deal



- A reason for the extension request
- Projected stabilization timeline

Within seven Business Days following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension and the amount of the extension fee via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS.

The terms of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments to or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date and no later than 30 days prior to the expiration of the Construction Phase Letter of Credit or any letter of credit for the Commitment Fee.

### **3. Appraisal**

Once the Forward Commitment Maturity Date has been extended for a total of 12 months, the Seller shall obtain, at the Borrower's sole expense, a new appraisal of the Property prepared by a state-certified appraiser approved by the Seller.

#### **28A.13 Complete property inspection (08/18/22)**

See Chapter 19A for Freddie Mac's requirements for the complete property inspection.

#### **28A.14 Conversion criteria and documentation (02/17/22)**

##### **a. Time limit for meeting conditions for Conversion (05/31/11)**

Freddie Mac's Forward Commitment and agreement to provide the bond credit enhancement agreement shall terminate and be of no force or effect in the event that the Seller is unable to fully and totally satisfy each and all of the conditions for Conversion on or before the Forward Commitment Maturity Date or extended Forward Commitment Maturity Date, as applicable.

##### **b. Property requirements for Conversion (02/17/22)**

In order for Freddie Mac to provide the bond credit enhancement agreement, the Property must:

- Be substantially complete in accordance with the final plans and specifications as certified by the architect of record, confirmed by the Architectural Consultant and reviewed by the Seller
- For Properties with 100 percent of units subject to rent and income restrictions:
  - Have stabilized occupancy at 85 percent for one month prior to the submission of the underwriting package for Conversion
  - Confirm and maintain stabilized occupancy at 85 percent during underwriting at Conversion



- For Properties that do not have 100 percent of units subject to rent and income restrictions:
  - Have stabilized occupancy at 85 percent for three months prior to the submission of the underwriting package for Conversion
- Have a Debt Coverage Ratio (DCR) that is:
  - Greater than or equal to the minimum DCR for the Mortgage product, and
  - No more than 10 basis points lower than the original underwritten DCR

**c. Other Conversion criteria (09/01/16)**

Any special terms or conditions specified in the Forward Commitment and the Construction Phase Financing Agreement must be satisfied. See Section 28A.15(a) and the TAH Bond Conversion Underwriting Package in [Section 1.33 of Exhibit 1](#) for additional information about the items that must be submitted as part of the Conversion underwriting package.

**d. Reserved (09/28/18)**

**e. Determination of the Mortgage amount (05/31/11)**

The Seller must determine, and Freddie Mac must approve, the amount of the Mortgage using the requirements in the Construction Phase Financing Agreement for the Property.

**f. Additional Mortgage proceeds (05/31/11)**

Additional Mortgage proceeds may be available for a Property with a current net operating income (NOI) that exceeds the underwritten NOI. Any additional Mortgage proceeds must be approved by Freddie Mac after Freddie Mac's full re-underwriting. The additional proceeds will be re-priced as a first Mortgage, although Freddie Mac's security for such additional proceeds may be in the form of a subordinate Mortgage.

**28A.15 TAH Bond Conversion Underwriting Package and Notification of Conversion (04/18/24)**

**a. TAH Bond Conversion Underwriting Package and Conversion schedule (07/01/14)**

Once the Seller has completed all Conversion due diligence and analysis, the Seller must

- Prepare the TAH Bond Conversion Underwriting Package and submit it to Freddie Mac
- Submit the proposed Conversion schedule to Freddie Mac no later than 45 days prior to the proposed date of the Conversion

Freddie Mac uses the TAH Bond Conversion Underwriting Package to determine whether the Property has met the Conversion criteria specified in the Guide. Freddie Mac specifies the



list of documents that the Seller must include in the TAH Bond Conversion Underwriting Package in [Section 1.33 of Exhibit 1](#), which applies to a Mortgage originated under the TAH Bond Credit Enhancement Forward Commitment Program. Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

The TAH Bond Credit Enhancement Conversion Underwriting Package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13. The TAH Bond Credit Enhancement Conversion Underwriting Package and the proposed Conversion schedule must be submitted to Freddie Mac no later than 45 days prior to the proposed Conversion date.

After Freddie Mac completes its underwriting and approves the Conversion, Freddie Mac will execute the Conversion Acceptance Letter.

**b. Notification of Conversion (04/18/24)**

After Freddie Mac has executed the Conversion Acceptance Letter and no later than 15 days prior to the Conversion date, the Seller must notify the following of the date of the Conversion:

- Freddie Mac
- The bond issuer
- The bond trustee
- The Construction Phase Letter of Credit provider, if applicable
- The construction lender
- The Borrower

This notification must contain the following information:

- The name, address, telephone number, facsimile number and email address of the Title Company to be used for originating the Mortgage
- A request for release of the Construction Phase Letter of Credit, if applicable

**28A.16 Overall responsibilities of parties at Conversion (05/31/11)**

**a. Responsibilities of the Seller (05/31/11)**

The Seller is responsible for the Conversion of the Mortgage in accordance with the terms and conditions of the Construction Phase Financing Agreement.

**b. Freddie Mac's responsibilities (05/31/11)**



Freddie Mac will coordinate with the Seller the delivery of the Construction Phase Letter of Credit, if applicable, and any other documents held by Freddie Mac and to be delivered or released at Conversion under the terms of the Construction Phase Financing Agreement.

### **28A.17 Bond documents (05/31/11)**

See Section 28.10 for Freddie Mac's requirements regarding the bond documents.

For a Forward Commitment, the term of the bond credit enhancement agreement will begin:

- At bond closing, in the case of a Funded Forward Commitment, or
- At Conversion, in the case of an Unfunded Forward Commitment.

### **28A.18 Additional bond document requirements for fixed-rate bonds (05/31/11)**

See Section 28.11 for Freddie Mac's requirements for fixed-rate bonds.

### **28A.19 Additional bond document requirements for variable-rate bonds (05/31/11)**

#### **a. Bond interest rate (05/31/11)**

See Section 28.12(a).

#### **b. Remarketing (05/31/11)**

See Section 28.12(b).

#### **c. Principal reserve fund (05/31/11)**

See Section 28.12(c).

#### **d. Information from bond trustee (05/31/11)**

See Section 28.12(d).

#### **e. Term of the bond credit enhancement agreement (05/31/11)**

See Section 28.12(e).

#### **f. Additional provisions in reimbursement and security agreement (05/31/11)**

At issuance of the variable-rate bonds (for a Funded Forward Commitment), or at Conversion (for an Unfunded Forward Commitment), the Borrower must enter into a reimbursement and security agreement with Freddie Mac, which must, in addition to the provisions for fixed-rate bonds, provide for.

- Reimbursement of amounts paid by Freddie Mac under the bond credit enhancement agreement to enable tendered bonds to be purchased on behalf of the Borrower





- Replenishment of amounts withdrawn from the principal reserve fund at Freddie Mac's direction to enable tendered bonds to be purchased on behalf of the Borrower, and
- Payment of liquidity use fees to Freddie Mac

All of these payments must be due by the earliest of

- 90 days after the related payment or withdrawal was made
- The completion of remarketing or the redemption or cancellation of the purchased bonds
- The expiration of the bond credit enhancement agreement
- The replacement of the bond credit enhancement agreement with a substitute credit facility in accordance with the bond documents
- The maturity date of the Mortgage
- Acceleration of the Mortgage

**g. Pledge agreement (05/31/11)**

At issuance of the variable-rate bonds (for a Funded Forward Commitment) or at Conversion (for an Unfunded Forward Commitment), the Borrower must grant Freddie Mac a security interest in bonds purchased in whole or in part with amounts paid by Freddie Mac under the bond credit enhancement agreement or with withdrawals that Freddie Mac permits to be made from the principal reserve fund, to secure the Borrower's payment of the reimbursements, replenishments and liquidity use fees payable under the reimbursement and security agreement.

**h. Mandatory redemption provisions (05/31/11)**

See Section 28.12(h).

**i. Substitute credit facility (05/31/11)**

See Section 28.12(i).

**j. Other provisions (05/31/11)**

See Section 28.12(j).

**k. Interest rate hedge agreement (05/31/11)**

See Section 28.12(k).

**l. Assignment of interest rate hedge agreement (05/31/11)**

At bond closing (for a Funded Forward Commitment) or at Conversion (for an Unfunded Forward Commitment), the Borrower must grant Freddie Mac a security interest in its rights



under the interest rate hedge agreement, by means of a security agreement acceptable to Freddie Mac. The security agreement must permit Freddie Mac, at any time, to demand that the hedge provider make payments under the interest rate hedge agreement to the Seller or Freddie Mac instead of the Borrower.

**m. Interest computation (05/31/11)**

See Section 28.12(m).

**n. Liquidity use fee (05/31/11)**

In the case of a variable-rate Mortgage, beginning at bond closing (for a Funded Forward Commitment), or at Conversion (for an Unfunded Forward Commitment), a liquidity use fee will be payable to Freddie Mac with respect to any funds provided by Freddie Mac to enable tendered bonds to be purchased on behalf of the Borrower or any withdrawal from the principal reserve fund for that purpose.

The computation of the annual fee on the amount of payment or withdrawal will be converted to a daily fee by dividing by 365 days (366 days in a leap year) and multiplying by the actual number of days elapsed since the payment or withdrawal.

**o. Monthly payment billing (05/31/11)**

See Section 28.12(o).

**p. Relationship of Mortgage payment and cap payment (05/31/11)**

See Section 28.12(p).

**q. Cap or swap provider (05/31/11)**

See Section 28.12(q).

**28A.20 Disclosure (05/31/11)**

See Section 28.13.

**28A.21 Freddie Mac's review and approvals (05/31/11)**

**a. Prior review of bond documents and structure (05/31/11)**

See Section 28.14.

**b. Bond rating and bond opinion (05/31/11)**

Prior to executing the bond credit enhancement agreement, Freddie Mac must receive:

1. A rating letter or other evidence satisfactory to Freddie Mac indicating that the bonds, when issued, will be rated in the highest long-term and (in the case of variable-rate bonds) short-term rating category by Standard & Poor's Ratings Group, Moody's



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2. An unqualified opinion, satisfactory to Freddie Mac, from a nationally recognized bond counsel as to:
  - The authorization and valid issuance of the bonds
  - The validity of the lien of the indenture
  - The excludability from gross income, for federal income tax purposes, of the interest payable on the bonds
  - Freddie Mac's right to rely upon the opinion, or alternatively, a reliance letter addressed to Freddie Mac giving Freddie Mac the right to rely upon the opinion of the bond counsel

For an Unfunded Forward Commitment, Freddie Mac or its counsel may require either item 1 or item 2 to be submitted at bond closing and again at Conversion.

**28A.22 Other requirements for bond transactions (05/31/11)**

See Sections 28.15 through 28.24.

**28A.23 Final delivery (05/31/11)**

The Seller must deliver the final delivery package at the time and in accordance with the requirements set forth in Chapter 32.

# Title, Insurance, Final Delivery, Warehousing and File Retention

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Chapters 29-35

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# Multifamily Seller/Service Guide

## Chapter 29

### Title, Description, Survey, UCC Searches and Opinions



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## 29.1 Title insurance policy requirements (10/17/24)

Each Mortgage purchased by Freddie Mac must be covered by a Title Policy. The final Title Policy delivered to Freddie Mac must be accurate and complete and must reflect any additional requirements that may be imposed by Freddie Mac for a particular Mortgage. The Title Policy must be underwritten by a Title Insurance Underwriter.

It is the responsibility of the Seller/Servicer and its counsel to obtain and review in detail the title commitment, documents evidencing or creating each exception to title and the Title Policy.

### a. Maximum single risk amount (08/15/24)

The maximum single risk amount (the risk in connection with any one Mortgage) assumed by one Title Insurance Underwriter may not be more than 25 percent of such Title Insurance Underwriters' surplus to policyholders. Policies for amounts in excess of the maximum single risk amount may be acceptable if any excess amount is covered by reinsurance by another Title Insurance Underwriter meeting the requirements of this chapter.

### b. Reinsurance and coinsurance (08/15/24)

- **Reinsurance**

If the single risk amount exceeds 25 percent of the Title Insurance Underwriter's surplus to policyholders, the excess amount may be covered by reinsurance meeting all of the following requirements:

- The excess amount may not exceed 25 percent of the reinsuring company's surplus to policyholders. Tertiary insurance will not be permitted.
- The reinsurer must be a Title Insurance Underwriter.
- The reinsurance must be provided by the issuance of the most current form of American Land Title Association (ALTA) Facultative Reinsurance Agreement.
- Pro forma documentation for all reinsured transactions must be submitted to Freddie Mac for review and approval prior to the Origination Date.

Any Title Policy that is reinsured at the option of the Title Insurance Underwriter must meet all of the requirements of this subsection.

- **Coinsurance**

Usually, Freddie Mac will not accept coinsurance (multiple Title Insurance Policies issued by multiple Title Insurance Underwriters for the same transaction). Freddie Mac will consider allowing coinsurance only if the Title Insurance Underwriters and Title Policies each meet the requirements of this chapter and the use of coinsurance is approved in writing by Freddie Mac prior to Rate Lock. Prior to the Origination Date, the Seller/Servicer must submit to Freddie Mac for its review and approval the Title Policies for any Mortgage that will be coinsured.



**c. Selection of the Title Company (10/17/24)**

1. The Seller/Servicer's selection or acceptance of any Title Company must be based solely on considerations typically used by prudent institutional lenders originating or purchasing Mortgages in the jurisdiction where the Property is located, as permitted by applicable law, and acting in the best interests of Freddie Mac. The Seller/Servicer must not base this selection on receipt of anything of value or other consideration by the Seller/Servicer or its employees, officers, or directors paid by or on behalf of a Title Company.
2. As provided in Section 2.19, the Seller/Servicer must approve, evaluate and monitor Title Companies and any other third party to whom functions relating to a Mortgage or REO are outsourced or assigned, including consulting the [Multifamily Restricted Vendor List](#).

Freddie Mac reserves the right to: (i) refuse to accept Mortgages for purchase, or (ii) approve the assumption of a Mortgage, in each case involving any specific Title Company on the Multifamily Restricted Vendor List. If a Title Company appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Title Company until notified otherwise by Freddie Mac. The decision to place a Title Company on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

With respect to Title Companies, the Multifamily Restricted Vendor List is made available to Seller/Servicers at [mf.freddiemac.com](http://mf.freddiemac.com) for the sole purpose of ensuring that an unacceptable Title Company does not perform services in connection with Multifamily Mortgage transactions and will constitute "Confidential Information" as defined in Section 2.8. Notwithstanding the Confidential Information classification, when a Borrower has engaged a Title Company on the Multifamily Restricted Vendor List in connection with a Mortgage transaction, the Seller/Servicer is permitted to advise the Borrower and Seller/Servicer's counsel or Single Counsel engaged for that Mortgage transaction that Freddie Mac will require engagement with a different Title Company. Parties are advised of their placement on the Multifamily Restricted Vendor List.

3. Freddie Mac also reserves the right to subject Freddie Mac's acceptance of the engagement of any Title Company to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac's sole discretion. When applicable, Freddie Mac is identifying these Title Companies as Third-Party Vendors on the Vendors With Conditions List, which is attached as a schedule to the [Multifamily Restricted Vendor List](#). These Title Companies may continue to be engaged by Borrowers or Seller/Servicers but will be subject to the additional conditions provided in the schedule to the [Multifamily Restricted Vendor List](#).
4. If the Seller/Servicer, for cause, discontinues the use of a Title Company in connection with a Freddie Mac transaction within the past 12 months and such Title Company is not identified on the [Multifamily Restricted Vendor List](#), the Seller/Servicer must send written notification promptly to Freddie Mac, to the attention of [Freddie\\_Mac\\_Legal\\_MF@freddiemac.com](mailto:Freddie_Mac_Legal_MF@freddiemac.com).

**d. Acquisitions (10/17/24)**

1. Effective for any Mortgage origination transaction that is an acquisition which is taken under Seller Application on and after August 15, 2024, the Title Insurance Underwriter, its affiliate under identical ownership, or its wholly-owned subsidiary must directly perform





all escrow and settlement functions for both the Mortgage origination transaction and the acquisition of the Property (*i.e.*, the Title Insurance Underwriter or such affiliate or subsidiary must receive and disburse all funds from all sources related to the acquisition and prepare the settlement statement for the acquisition of the Property and the acquisition financing). The settlement statement must be delivered to the Seller/Servicer or the Seller/Servicer's counsel directly by the Title Insurance Underwriter or such affiliate or subsidiary. (See Section 32.3(c) for additional settlement statement requirements.)

For acquisition Mortgage origination transactions, if the law of the jurisdiction in which the Property is located prohibits the use of anyone other than a licensed attorney for escrow and/or settlement functions, and the Seller/Servicer or its legal counsel has confirmed that the Title Insurance Underwriter or its wholly-owned subsidiary or affiliate under identical ownership does not have a licensed attorney on staff in such jurisdiction who can fulfill this requirement, the Seller/Servicer's legal counsel must notify the applicable Freddie Mac transactional attorney on or prior to the Seller/Servicer's submission of the full underwriting package.

2. For purposes of the requirements described in this chapter, and notwithstanding any identification of the Mortgage origination transaction in the Mortgage commitment or otherwise, a Mortgage origination transaction will be deemed to be an acquisition if the Property (A) is acquired by the Borrower effective as of the Origination Date, or (B) was acquired by the Borrower or an affiliate of the Borrower within a thirty (30) day period prior to the Origination Date.
3. For any Mortgage origination transaction that is not an acquisition, the Title Insurance Underwriter may also perform escrow and settlement functions but is not required to do so.
4. For purposes of clarification and without limitation of any of its requirements, this Section 29.1(d) will apply to the origination of a Supplemental Mortgage in connection with any acquisition of the related Property and the assumption of the related senior Mortgage within the time frame described in Section 29.1(d)(2).

**e. Amount of protection (08/17/23)**

The Title Policy must insure the mortgagee for an amount no less than the original principal balance of the insured Mortgage.

**f. Insured (08/15/24)**

The Title Policy must name as the insured either:

- Freddie Mac, its successors or assigns, or
- Seller/Servicer and/or Freddie Mac, its successors or assigns, as their interests may appear



**g. Legal description (08/15/24)**

The legal description in the Title Policy must conform to the legal description contained in the survey, security instrument, UCC financing statement, lease, and all other documents pertaining to the Mortgage and the Property.

**h. Endorsements (08/15/24)**

Each endorsement required pursuant to the [Title Policy and Endorsement Requirements](#) posted on mf.freddiemac.com must:

- Be either attached to or sufficiently incorporated in the Title Policy.
- Be on the specific form of the endorsement identified in the Title Insurance Policy Certifications as defined in Section 29.2(c).
- Include the number of the Title Policy.
- Be dated as of the date of the Title Policy, if dated.
- Be signed electronically by the Title Company. A PDF signature or a signature that is electronically produced as part of the Title Policy or the endorsement is acceptable.

If affirmative coverage in lieu of an endorsement is acceptable as indicated in the [Title Policy and Endorsement Requirements](#), then the affirmative coverage language in the Title Policy must be equivalent to the affirmative coverage language described in the Title Policy Requirements.

**i. Insured Closing Protection Letter (08/15/24)**

If either of the recordation of the documents or the escrow and disbursement of funds in connection with the origination of the Mortgage is being handled by a Title Company other than the Title Insurance Underwriter, then if available in the applicable jurisdiction, the Seller/Servicer must also obtain and provide an insured closing protection letter addressed to Freddie Mac, or to the Seller/Servicer and its successors and assigns, that provides coverage for any loss that arises out of (i) the failure of the Title Company to comply with the Seller/Servicer's written closing instructions, or (ii) fraud or dishonesty in handling the funds or documents in connection with the origination of the Mortgage.

**29.2 Title exceptions (04/18/24)**

**a. Approval of title exceptions (04/18/24)**

The Seller/Servicer or its counsel must obtain, read, and analyze each document that evidences or creates any exception to the title insurance coverage to determine whether the exception would be acceptable to a prudent institutional lender.

If the Seller/Servicer or its counsel determines that any of the following applies with respect to an exception, such exception requires written analysis in the form and manner described in



Section 29.2(b) and, whenever required pursuant to Section 29.2(b), must be expressly approved by Freddie Mac:

- Any party's exercise of its rights under the exception could have a foreseeable adverse effect on the Borrower's intended use of the Property, including any interference with the present or proposed improvements on the Property or with the operation of the Property.
- Any party's exercise of its rights under the exception could impair lender's ability to enforce its rights under the Mortgage or could adversely affect the lien priority of the Mortgage.
- The exception would not be acceptable to a reasonable, prudent institutional lender in the area where the Property is located.
- The exception results in an exception to the Seller/Service Representations and Warranties.
- The exception could create potential safety or environmental issues.
- The exception could result in a material adverse effect on the Mortgage, the security interest in the collateral described by the Mortgage, or the use, value, operation or marketability of the Property or could impair the lien of or the lien priority of the Mortgage.
- The Guide or Legal Issues Analysis separately requires written analysis or approval with respect to such exception (such as, by way of example and not limitation, ground leases, regulatory agreements or condominium declarations).
- The exception contains a purchase option, right of first refusal, right of first offer, right of reverter, or requires consent to a transfer of all or any portion of the Property (including in connection with foreclosure or deed-in-lieu of foreclosure).

**b. Submission of analysis (04/18/24)**

If the written analysis required pursuant to Section 29.2(a) was not included in the Legal Issues Analysis and/or any other required legal analysis required by the Guide submitted prior to the effective date of the Commitment, then the analysis must be submitted for approval no later than two business days prior to the anticipated Origination Date.

All requests for approval of title exceptions must be in writing and be submitted to the applicable Multifamily Attorney and Legal Analyst by email and include the anticipated closing date and pool name, if applicable, in the email subject line, and be uploaded to DMS. The request must be in the form of:

- An amended Legal Issues Analysis or other analysis previously submitted to the applicable Multifamily Attorney; and
- If applicable, such other legal analysis required by the Guide.



The analysis must describe which category or categories in Section 29.2(a) applies to such exception necessitating written analysis and must include the Seller/Servicer or its counsel's recommendation (i) for mitigating any risk evidenced by the exception or explanation of why mitigation is not necessary or possible and (ii) as to the acceptability of the exception. The recommendation must expressly state why Freddie Mac should consider accepting this exception. The analysis must provide sufficient detail to enable Freddie Mac to make any necessary decision regarding the acceptability of an exception without having to read the document evidencing or creating the exception.

Submission to Freddie Mac of the underlying document creating the exception does not relieve the Seller/Servicer or its counsel of the requirement to submit the written analysis of the exception. However, Freddie Mac reserves the right to require the Seller/Servicer or its counsel to submit the exception document(s).

**c. Delivery of a Title Insurance Policy Certification and written analysis approval (04/18/24)**

At final delivery of the Mortgage, the Seller/Servicer's counsel must deliver a Title Insurance Policy Certification in the form found at [mf.freddiemac.com/lenders/legal/](https://mf.freddiemac.com/lenders/legal/) (the "Title Insurance Policy Certification"). Copies of all emails with express approval of any exceptions for which the Seller/Servicer or its counsel submitted a request for approval must be attached to the Title Insurance Policy Certification, along with the final title policy and all required endorsements.

**d. Analysis of title exceptions for Supplemental Mortgages (04/18/24)**

For any Supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product, the Seller/Servicer or its counsel must provide a written analysis only for:

- Any title exception that did not previously appear as an exception to title in the policy insuring the senior Mortgage and falls into one or more categories set forth in Section 29.2(a), or
- Any title exception that previously appeared as an exception to the title in the policy insuring the senior Mortgage but will not be covered by the same endorsement or equivalent coverage.

Therefore, with respect to a Supplemental Mortgage, a written analysis will be required for any exception that appeared as a subordinate item in the policy insuring the senior Mortgage when such exception is not expressly subordinate to the Supplemental Mortgage as well.

**e. Analysis of title exceptions for Assumptions (04/18/24)**

For any assumptions, the Seller/Servicer or its counsel must provide the discussion of the exceptions to the Title Policy as required by Section 41.4.

**f. Encroachments and violations on Survey (04/18/24)**

In addition to any analysis described in Section 29.2(b), the Seller/Servicer or its counsel must submit a written analysis of and receive approval for any encroachment or violation which materially and/or adversely affects the Property's operation, use or value or the



security intended to be provided by the Mortgage (examples: income-producing buildings, parking, access ways). The written analysis must include the following:

- A reasonably detailed description of the encroachment and/or violation (e.g., how many feet a building encroaches over an easement)
- Whether there is building law and ordinance coverage for the Property if the encroachment and/or violation impacts a zoning requirement

If the risk posed by any encroachment or violation can be mitigated by an endorsement identified in the Title Policy Requirements and included in the Title Policy, then the exception does not need to be included in a written analysis. If any such required endorsement is not available or has been modified from the standard required form, then a written analysis of the exception must be submitted.

**g. Exception for Private Transfer Fee Covenant (08/17/23)**

If the Title Policy contains an exception for a Private Transfer Fee Covenant that was created on or after February 8, 2011, the Mortgage is ineligible for purchase by Freddie Mac. See Section 8.14.

**h. Exception for condominium/cooperative conversion restriction (04/18/24)**

If the Title Policy contains an exception for a prohibition against or any indemnification in connection with the conversion of the Property to a condominium or cooperative structure, the Seller/Servicer or its counsel must examine the underlying agreement/restriction as provided in Section 8.18(f) to determine that the agreement/restriction meets the requirements set forth in such section.

The Seller/Servicer or its counsel must confirm that all such requirements have been satisfied or that any non-compliant provisions have been identified in the Legal Issues Analysis prior to the effective date of the Commitment.

## **29.3 Uniform Commercial Code search requirements (04/18/24)**

It is the responsibility of the Seller/Servicer to ensure that a First Lien security interest is perfected in (1) all fixtures, (2) all personal property of the Borrower that is located in or on the Property or is used or intended to be used in connection with the Property and (3) any other Uniform Commercial Code (UCC) collateral described in the UCC financing statement (collectively the "UCC collateral").

In order to ensure this First Lien security interest, the Seller/Servicer must perform certain searches of the Uniform Commercial Code records ("UCC search"). For additional search requirements for the MHC Mortgage Product, see Section 22.9(c).

**a. Names to search (04/18/24)**

The Seller/Servicer must perform a UCC search for the Borrower's name and, if the Property is being acquired, the name of the current owner of the Property. For additional search



requirements for Seniors Housing Mortgages, see the Final Delivery Instructions available at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase).

**b. Location of search (03/03/17)**

Each UCC search must include every office where a financing statement would be filed in accordance with the provisions of Revised Article 9 of the UCC.

**c. Date of search (02/07/05)**

A UCC search must be dated no earlier than 30 days prior to the Origination Date.

**d. Prior financing statements (04/18/24)**

If a UCC Search indicates that there are any financing statements on file (other than the financing statements filed by the current lender that will be released at origination of the Mortgage) then, prior to the Origination Date, the Seller/Servicer must provide an explanation of those financing statements to the

- *Multifamily TAH Underwriter*, for TAH Mortgages
- *Applicable Freddie Mac Multifamily Regional Office* for all other Mortgages

The Seller/Servicer must also submit a copy of the explanation to the applicable Multifamily Attorney.

**e. UCC search (04/18/24)**

1. If the UCC search done at underwriting shows that no financing statements have been filed in connection with any of the UCC collateral, then the Seller/Servicer does not need to deliver any documentation regarding the UCC search to Freddie Mac prior to final delivery of the Mortgage.
2. The UCC search must be updated at the time of final delivery to a date no earlier than 30 days prior to the date of origination of the Mortgage. The Seller/Service's counsel must examine the UCC search to determine that Freddie Mac has a First Lien security interest in all UCC collateral except for those items previously approved by Freddie Mac and those items for which UCC termination statements have been filed. The Seller/Service's counsel must use the [Seller's Counsel's Certification](#) set forth at [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal) to provide a certification regarding the UCC search at final delivery of the Mortgage as set forth in the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase).

**f. Product-specific UCC search requirements (04/18/24)**

For a Mortgage secured by an MHC Property, where a First Lien security interest in a Borrower-Owned Home cannot, under applicable law, be perfected with the filing of a UCC Financing Statement, the Seller/Service must take additional actions necessary to verify the ownership of and ensure a perfected First Lien security interest in any Borrower-Owned Home (e.g., obtaining a copy of the certificate of title evidencing the Borrower as the sole title holder of a Borrower-Owned Home).





For a Mortgage secured by a Seniors Housing Project, in addition to the searches required in Section 21.3, UCC searches are required for:

- The Borrower,
- The Manager, if applicable, and,
- If the Property is being acquired, the current owner of the Property.

Each UCC search must include every office where a financing statement would be filed to perfect a security interest in any of the collateral described in Financing Statement Exhibit B - Seniors Housing. Additionally, each search must include the state of organization for the Borrower and the Manager, if applicable.

**g. Newly formed Borrowers and SPE Equity Owners (04/18/24)**

For each Borrower and SPE Equity Owner, if applicable, that has been formed within 90 days prior to the origination of the Mortgage, the Seller/Servicer will not be required to provide a UCC search for the Borrower or the SPE Equity Owner. For any entity formed more than 90 days prior to the origination, or if Freddie Mac agrees to permit a “recycled” SPE Borrower or SPE Equity Owner, regardless of the entity’s formation date, the Seller/Servicer must provide a UCC search for the Borrower and the SPE Equity Owner, if applicable.

**29.4 Survey requirements (04/18/24)**

**a. ALTA/NSPS requirements; survey waivers (04/18/24)**

1. For each Mortgage purchased by Freddie Mac, the Seller/Servicer must submit a survey meeting the then-current minimum standard detail requirements for American Land Title Association/National Society of Professional Surveyors, Inc. (ALTA/NSPS) Land Title Surveys. The survey must be made, dated or revised by a licensed civil engineer or registered surveyor not more than 90 days prior to the date of the Note. The surveyor's certification must:
  - Be the form of certification required by the most current ALTA/NSPS requirements, except that the Table A items need not be listed in the certification
  - Be for the benefit of the Seller/Servicer, Freddie Mac and its successors and assigns and the title insurance underwriter issuing the title insurance policy if required by the title insurance underwriter
2. Unless specifically waived under the terms of the Letter of Commitment, a survey is required for every Mortgage purchased by Freddie Mac. (See also the [Waiver of Certain Survey Requirements](#) found at [mf.freddiemac.com/lenders/legal/](https://mf.freddiemac.com/lenders/legal/).)

**b. Additional Freddie Mac requirements (03/03/17)**

In addition to the items that must be included in an ALTA/NSPS Land Title Survey, the survey must also include the following:





- Substantial visible improvements (in addition to buildings) such as entrance or monument signs, parking structures including carports and garages, swimming pools and other recreational facilities such as clubhouses, basketball and tennis courts.
- Indication of access to all public rights of way such as curb cuts, driveways marked, etc.
- Parking areas and type and number of parking spaces (Parking space striping need not be shown.)
- Any setback requirements applicable to the Property (including those imposed via zoning law or building codes and any documents on record affecting the Property).

**c. Survey – encroachments and violations (04/18/24)**

The Seller/Servicer must analyze all encroachments and violations shown in the survey, as set forth in Section 29.2(f).

**d. Special survey requirements for MHC Mortgages (03/03/17)**

In addition to the requirements set forth in this Chapter 29 with respect to surveys, if the Property is an MHC Property, the following requirements are applicable:

- The survey must include the number of Home Sites located on the Property, as well as a description of the parking areas or spaces that are generally available for each Manufactured Home (i.e., the number of off-street parking spaces available for each Manufactured Home should be included on the survey).
- The survey must depict the location of:
  1. The extent and approximate dimensions of any encroachments by Manufactured Homes (including any Borrower-Owned Homes), Home Sites, piers, and foundations. If any of the foregoing do not constitute encroachments, their location does not need to be shown on the survey. Instead, a simple indicating mark may be included.
  2. Private interior access roads or streets and visible utilities. Unless such items constitute encroachments, they may be sketched on to the survey to show their approximate location, and can be located by photogrammetric or other approximate methods in lieu of precise field measurements.

**29.5 Legal opinions (04/18/24)**

**a. Legal opinions required (04/18/24)**

The Final Delivery Package must include the following legal opinions addressed to the Seller/Servicer (individually and collectively, the “Opinion Letter”):

- A legal opinion with respect to Borrower and any SPE Equity Owner in the form provided on the Freddie Mac Multifamily website ([the “Borrower Opinion”](#)).



- A legal opinion with respect to any Guarantor in the form provided on the Freddie Mac Multifamily website ([the “Guarantor Opinion”](#)).
- A non-consolidation legal opinion (the “Non-Consolidation Opinion”) for any Mortgage:
  - With an original principal balance equal to or greater than \$40,000,000;
  - That is a part of a cross-collateralized and cross-defaulted pool of Mortgages that are, when aggregated, \$40,000,000 or greater; or
  - If otherwise required by the Letter of Commitment or early rate lock application
- Any other legal opinions required by Freddie Mac under the Guide, in the applicable Letter of Commitment or early rate lock application, or otherwise.

Notwithstanding the foregoing, the enforceability opinions and local law opinions may be omitted from the Borrower Opinion and Guarantor Opinion for a supplemental mortgage originated under the Freddie Mac Multifamily Supplemental Mortgage Product.

**b. Review and analysis of legal opinions (04/18/24)**

Seller/Servicer’s counsel must review and analyze all Opinion Letters to ensure the Opinion Letters conform to Freddie Mac’s requirements. Additional guidelines and requirements for the review of opinions are set forth in the Opinion Letter Guidelines and, if applicable, the Requirements for Review of Non-Consolidation Opinions, provided on the Freddie Mac Multifamily [website](#).

All Opinion Letters must contain the following use and reliance provision, without modification:

“This opinion letter is furnished to you solely for your benefit, the benefit of subsequent holders of the Note, and any statistical rating agency that provides a rating on securities backed in part by the Loan, all of which we understand may receive copies of this opinion letter. This opinion letter may not be used, quoted from or relied upon by any other person without our prior written consent; however, you or a subsequent holder of the Note may deliver copies of this opinion letter to (a) independent auditors, accountants, attorneys and other professionals acting on behalf of you or a subsequent holder of the Note, (b) governmental agencies having regulatory authority over you or a subsequent holder of the Note, (c) designated persons pursuant to an order or legal process of any court or governmental agency, and (d) prospective purchasers of the Note.”

The counsel rendering the opinions must be acceptable to Freddie Mac or to the Seller/Servicer if Seller/Servicer is authorized to approve the opinion. The Letter of Commitment or the early rate lock application may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require Seller/Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.



**c. Opinions requiring Freddie Mac review and approval (04/18/24)**

The Seller/Servicer must submit a copy of the following opinions for Freddie Mac's review and approval not less than three business days prior to the scheduled origination date of the Mortgage:

- All Opinion Letters for any Mortgage with an original principal balance equal to or greater than \$100,000,000.
- Any Seniors Housing Mortgage licensure opinion, specifically opinions #27 and #28 from the Borrower Opinion form.

Such opinions must be marked to clearly indicate the additions to and deletions from the appropriate form of Opinion Letter. The Borrower or the Seller/Servicer must pay for any legal fees associated with the review and approval of any such additions to or deletions from the appropriate form of Opinion Letter in connection with the origination of the Mortgage.

The Seller/Servicer's counsel must provide an analysis and recommendation with respect to such opinions (the "Opinion Analysis"). Freddie Mac will not be responsible for any loss, costs or damages incurred by the Seller/Servicer or Borrower as a result of the origination of the Mortgage being delayed due to the failure of the Seller/Servicer to timely deliver to Freddie Mac a draft Opinion Letter and/or the Opinion Analysis.

**d. Non-Consolidation Opinion Requirements (04/18/24)**

Non-Consolidation Opinions must state that if any equity owner or group of affiliated equity owners (or group of family members) who own more than 49% of the equity in Borrower were to become insolvent, neither Borrower, nor its assets and liabilities, would be substantively consolidated with that of the equity owner or group of affiliated equity owners (or group of family members) or with the SPE Equity Owner.

A "should" Non-Consolidation Opinion is not acceptable; all Non-Consolidation Opinions must be "would" opinions.

All Non-Consolidation Opinions must be submitted to Freddie Mac for review and approval prior to origination of the Mortgage as provided in the Requirements for Review of Non-Consolidation Opinions provided on the Freddie Mac Multifamily website. The Borrower or the Seller/Servicer must pay for any legal fees associated with the review and approval of any Non-Consolidation Opinion required in connection with the origination of a Mortgage.

**e. Required Opinion Provisions for Seller Application (04/18/24)**

The Seller/Servicer must include, as part of its Seller Application with or loan commitment to the Borrower, the following provision.

Delivery of Opinion Letters to Be Delivered to Freddie Mac

Borrower acknowledges and agrees that as part of the loan closing process it is required to deliver to [Seller/Servicer to Insert Seller/Servicer's Name] certain legal opinion letters in form and substance acceptable to the Federal Home Loan Mortgage Corporation ("Freddie Mac") addressing, among other things, enforceability, due formation, execution



and delivery, non-consolidation (under certain circumstances) and such other matters as may be required by Freddie Mac (collectively if more than one, the “Opinion Letter”). In order to properly review any Opinion Letter requiring Freddie Mac’s approval Freddie Mac must receive a draft of the Opinion Letter, with analysis and recommendations from [Seller/Service to Insert Seller/Service’s Name], not less than three business days prior to the anticipated consummation of the loan transaction. Accordingly, Borrower acknowledges and agrees to deliver to [Seller/Service to Insert Seller/Service’s Name], not less than \_\_\_\_ business days [Seller/Service to Insert Number of Days as Required by Seller/Service’s Counsel] prior to the anticipated consummation of the loan transaction, a draft Opinion Letter for review. Borrower acknowledges and agrees that [Seller/Service to Insert Seller’s/Service Name] will not be responsible for reviewing any Opinion Letter received less than \_\_\_\_ Business Days [Seller/Service to Insert Number of Days as Required by Seller/Service’s Counsel] prior to the anticipated consummation of the loan transaction and that Borrower’s failure to timely deliver such Opinion Letter may result in the consummation of the loan transaction being delayed. Borrower further acknowledges and agrees that neither [Seller/Service to Insert Seller/Service’s Name] nor Freddie Mac will be responsible for any loss, costs or damages incurred by Borrower as a result of the consummation of the loan transaction being delayed due to the failure of Borrower to timely deliver a draft Opinion Letter.

# Multifamily Seller/Service Guide

## Chapter 29SBL

### SBL Title, Description, Survey and UCC Search



#### 29SBL.1 [Title insurance policy requirements \(10/17/24\)](#)

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- b. [Subordinated ground leases \(08/15/24\)](#)
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#### 29SBL.5 [Survey requirements \(04/18/24\)](#)



## 29SBL.1 Title insurance policy requirements (10/17/24)

Each SBL Mortgage purchased by Freddie Mac must be covered by a Title Policy. The final Title Policy delivered to Freddie Mac must be accurate and complete and must reflect any additional requirements that may be imposed by Freddie Mac for a particular Mortgage. The Title Policy must be underwritten by a Title Insurance Underwriter.

It is the responsibility of the Seller/Servicer and Single Counsel to obtain and review in detail the title commitment, documents evidencing or creating each exception to title, and the Title Policy. It is also their responsibility to bring to Freddie Mac's immediate attention any issue that could result in a material adverse effect on the SBL Mortgage or the use or marketability of the Property or could create potential safety or environmental issues.

### a. Maximum single risk amount; reinsurance and coinsurance (10/17/24)

The maximum single risk amount, reinsurance and coinsurance requirements, to the extent applicable for the financing of a pool of SBL Mortgages in excess of \$40 million, are subject to the provisions of Section 29.1(a) and (b). Freddie Mac does not expect that any single SBL Mortgage will require reinsurance or coinsurance.

### b. Subordinated ground leases (08/15/24)

If all or a portion of the Property consists of a leasehold estate and the holder of the fee interest has executed the SBL Mortgage to subject its interest in the land to the lien of the Mortgage, the Title Policy must insure the Lender's interest in both the fee estate and the leasehold estate.

### c. Selection of the Title Company (08/15/24)

1. The Seller/Servicer's selection or acceptance of a Title Company must be based solely on considerations typically used by prudent institutional lenders originating or purchasing SBL Mortgages in the jurisdiction where the Property is located, as permitted by applicable law, and acting in the best interests of Freddie Mac. The Seller/Servicer must not base this selection on receipt of anything of value or other consideration by the Seller/Servicer or its employees, officers, or directors paid by or on behalf of a Title Company.
2. As provided in Section 2.19, the Seller/Servicer must approve, evaluate and monitor Title Companies and any third party to whom functions relating to a Mortgage or REO are outsourced or assigned including consulting the [Multifamily Restricted Vendor List](#).

Freddie Mac reserves the right to: (i) refuse to accept SBL Mortgages for purchase, or (ii) approve the assumption of an SBL Mortgage, in each case involving any specific Title Company on the Multifamily Restricted Vendor List. If a Title Company appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Title Company until notified otherwise by Freddie Mac. The decision to place a Title Company on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.



With respect to Title Companies, the Multifamily Restricted Vendor List is made available to Seller/Serviceirs at [mf.freddiemac.com](https://mf.freddiemac.com) for the sole purpose of ensuring that an unacceptable Title Company does not perform services in connection with Multifamily Mortgage transactions and will constitute “Confidential Information” as defined in Section 2.8. Notwithstanding the Confidential Information classification, when a Borrower has engaged a Title Company on the Multifamily Restricted Vendor List, the Seller/Serviceir is permitted to advise the Borrower that Freddie Mac will require engagement with a different Title Company. Parties are advised of their placement on the Multifamily Restricted Vendor List.

3. Freddie Mac also reserves the right to subject Freddie Mac’s acceptance of the engagement of any Title Company to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac’s sole discretion. When applicable, Freddie Mac is identifying these Title Companies as Third-Party Vendors on the Vendors With Conditions List, which is attached as a schedule to the [Multifamily Restricted Vendor List](#). These Title Companies may continue to be engaged by Borrowers or Seller/Serviceirs but will be subject to the additional conditions provided in the schedule to the [Multifamily Restricted Vendor List](#).
4. If the Seller/Serviceir, for cause, discontinues the use of a Title Company in connection with a Freddie Mac transaction within the past 12 months and such Title Company is not identified on the [Multifamily Restricted Vendor List](#), the Seller/Serviceir must send written notification promptly to Freddie Mac, to the attention of [Freddie\\_Mac\\_Legal\\_MF@freddiemac.com](mailto:Freddie_Mac_Legal_MF@freddiemac.com).

**d. Acquisitions (10/17/24)**

1. Effective for any SBL Mortgage origination transaction that is an acquisition which is taken under Seller Application on and after August 15, 2024, the Title Insurance Underwriter, its affiliate under identical ownership, or its wholly-owned subsidiary must directly perform all escrow and settlement functions for both the SBL Mortgage origination transaction and the acquisition of the Property (*i.e.*, the Title Insurance Underwriter or such affiliate or subsidiary must receive and disburse all funds from all sources related to the acquisition and prepare the settlement statement for the acquisition of the Property and the acquisition financing). The settlement statement must be delivered to the Seller/Serviceir or Single Counsel directly by the Title Insurance Underwriter or such affiliate or subsidiary. (See Section 32.3(c) for additional settlement statement requirements.)

For acquisition SBL Mortgage origination transactions, if the law of the jurisdiction in which the Property is located prohibits the use of anyone other than a licensed attorney for escrow and/or settlement functions, and the Seller/Serviceir or Single Counsel has confirmed that the Title Insurance Underwriter or its wholly-owned subsidiary or affiliate under identical ownership does not have a licensed attorney on staff in such jurisdiction who can fulfill this requirement, the Single Counsel must notify the applicable Freddie Mac SBL transactional attorney on or prior to the Seller/Serviceir’s submission of the full underwriting package.





2. For purposes of the requirements described in this chapter, and notwithstanding any identification of the SBL Mortgage origination transaction in the SBL Mortgage commitment or otherwise, a SBL Mortgage origination transaction will be deemed to be an acquisition if the Property (A) is acquired by the Borrower effective as of the Origination Date, or (B) was acquired by the Borrower or an affiliate of the Borrower within a thirty (30) day period prior to the Origination Date.
3. For any SBL Mortgage origination transaction that is not an acquisition, the Title Insurance Underwriter may also perform escrow and settlement functions but is not required to do so.

**e. Amount of protection (08/15/24)**

The Title Policy must insure the mortgagee for an amount no less than the original principal balance of the insured SBL Mortgage.

**f. Insured (08/15/24)**

The Title Policy must name as the insured either

- Freddie Mac, its successors or assigns, or
- Seller/Servicer and/or Freddie Mac, its successors or assigns, as their interests may appear

**g. Form (08/15/24)**

The Title Policy must be produced on the form of 2006 or 2021 American Land Title Association (ALTA) Loan Policy ("ALTA Loan Policy") with the following exceptions:

- For an SBL Mortgage secured by a Property located in Florida, the Title Policy must be produced on the form of 2006 or 2021 ALTA Loan Policy with Florida modifications.
- For an SBL Mortgage secured by a Property located in Texas, the Title Policy must be produced on the form of 2014 Texas Mortgage Policy of Title Insurance (T-2) ("Texas Loan Policy").

All of the endorsements required pursuant to Section 29SBL.1(g) must be attached to the Title Policy.

**1. Electronically issued policy**

Freddie Mac will accept a Title Policy and its endorsements produced and distributed to the Seller/Servicer or Single Counsel in electronic format (an "electronically issued policy") if the electronically issued policy includes an endorsement that provides that the Title Insurance Underwriter will not deny coverage solely on the grounds that the policy and/or endorsements were issued electronically and/or lacked signatures.

**2. Arbitration**

With respect to a Title Policy issued on either an ALTA Loan Policy or Texas Loan

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Policy form, Freddie Mac requires the Title Policy to contain one of the following:

- An endorsement deleting all compulsory arbitration provisions from the Title Policy;  
or
- An amendment to the Title Policy stating that both the title insurance underwriter and the insured must agree to arbitration when the amount of insurance is \$2 million or less with respect to any claim made by or on behalf of Freddie Mac.

The form of ALTA Loan Policy with Florida modifications does not include any compulsory arbitration provisions. Therefore, any Title Policy issued on that form requires no revisions with respect to the arbitration provisions.

#### **h. Endorsements (08/15/24)**

The endorsements enumerated in the chart below must be attached to the Title Policy. The Title Company may elect to incorporate into the ALTA Loan Policy certain endorsements by reference only without attaching the endorsements to the policy.

Endorsement/Explanation	Alternatives
ALTA Form 8.1-06 or ALTA 8.1-2021, Environmental Protection Lien	<p>Part (b) of ALTA Form 8.1-06 may make an exception only for specific State statutes that provide for possible subsequent “superliens” that could take priority over the SBL Mortgage.</p> <p>An equivalent endorsement is acceptable only if an ALTA Form 8.1 is not available in the State where the Property is located.</p>
ALTA Form 9-06, Restrictions, Encroachments, Minerals – Loan Policy (Adopted 04-02-12)	<p>An equivalent endorsement is acceptable only if ALTA Form 9-06 (Adopted 04-02-12) is not available in the State where the Property is located.</p> <p>For properties located in Texas, Texas Form T-19 is acceptable.</p> <p>For properties located in Florida, ALTA 9-06 (revised 05-19-14, with FL modifications) is acceptable.</p>



Endorsement/Explanation	Alternatives
<p>Lack of Signatures Endorsement</p> <p>Required only if a 2006 ALTA Loan Policy is issued and the requirements set forth in Section 29SBL.1(f)(1) are not otherwise satisfied.</p>	<p>This endorsement is not required if a 2021 ALTA Loan Policy is issued.</p>
<p>Deletion of Compulsory Arbitration Endorsement</p> <p>Required only if the requirements set forth in Section 29SBL.1(f)(2) are not otherwise satisfied.</p>	
<p>ALTA Form 9.6-06, Private Rights – Loan Policy (Adopted 04-02-12 or 04-02-13)</p> <p>Required only if an exception exists which includes a reservation of private rights against the Property.</p>	<p>An equivalent endorsement is acceptable only if an ALTA Form 9.6-06 (Adopted 04-02-12 or 04-02-13) is not available in the State where the Property is located.</p> <p><b><u>Freddie Mac does not permit exclusions from coverage under this endorsement without prior approval from the applicable Multifamily Attorney.</u></b></p>
<p>Mortgage Recording Tax</p> <p>Required only in Florida, Maryland, New York, and Virginia, where Borrower is saving recording taxes by using a consolidation or assignment/amendment of an existing mortgage.</p>	<p>Seller/Servicer or Single Counsel will deliver the state specific form applicable to the property jurisdiction.</p>
<p>Texas Form T-30, Tax Deletion</p> <p>Required only in Texas when the language regarding subsequent taxes for prior years cannot be deleted from the policy.</p>	<p>Seller/Servicer or Single Counsel will either deliver the endorsement or the language regarding subsequent taxes for prior years must be deleted from the policy.</p>



Endorsement/Explanation	Alternatives
<p>CLTA 103.5-06, Water Rights, Surface Damage or ALTA 41.1-06, Water-Improvements</p> <p>Required only if an exception exists for water rights, claims or title to water.</p>	<p>An equivalent endorsement is acceptable only if CLTA 103.5-06 or ALTA 41.1-06 is not available in the State where the Property is located.</p> <p>The ALTA 41-06 is not an acceptable equivalent without prior approval from the applicable Multifamily Attorney</p>

Freddie Mac requires that each endorsement must:

- Be on the most recent form of endorsement approved by ALTA or CLTA (California Land Title Association), if an ALTA or CLTA form is available. In addition, the ALTA or CLTA form must be the appropriate form for the selected policy;
- Include the number of the Title Policy; and
- Be signed by the Title Company. A signature that is part of the printed form or a signature that is electronically produced as part of the endorsement is acceptable. If a Lack of Signatures Endorsement is delivered, signature will not be required.

**i. Tax and Parcel Numbers (04/18/24)**

The Title Policy must include the Property's parcel or tax identifying number(s) if available in the jurisdiction in which the Property is located.

**j. Date of Title Policy (04/18/24)**

1. The Title Policy must be dated
  - No earlier than the effective date and no later than the date of recordation of the assignment of the Security Instrument to Freddie Mac.
  - The date of the Title Policy must be a date certain. Freddie Mac will not accept a Title Policy with a blank effective date or an effective date described as "the date of the assignment or the date of recordation, whichever is later".
2. If the Property is located in a jurisdiction where gap coverage is not available for regulatory reasons, the Seller/Servicer may submit a Title Policy that is dated earlier than the date of recordation (but not earlier than the date of the assignment of the Security Instrument) if all of the following conditions are met:
  - The Seller/Servicer must provide a letter addressed to Freddie Mac or to the Seller/Servicer and its assigns from the Title Company that states (i) that the Title Company has delivered the Security Instrument, the assignment of the Security



Instrument and the UCC financing statements to the applicable clerk for recordation and (ii) that the Title Company is assuming the risk of any intervening liens or encumbrances that may be recorded between the policy effective date and the completion of recording. The information in (ii) may also be provided by a note in the Title Policy.

- Immediately after receipt of recordation information, the Seller/Servicer must deliver to Freddie Mac Multifamily Purchase an ALTA Form 44-06, or equivalent endorsement which
  1. Changes the effective date of the Title Policy to the date of recordation of the Security Instrument and the assignment of the Security Instrument, and
  2. Provides the recordation date and book and page (or recorded instrument) number for the Security Instrument and the assignment of the Security Instrument.

**k. Identification of recorded documents (04/18/24)**

1. The Title Policy must identify the Security Instrument, the assignment of the Security Instrument and any other required recorded documents by title of document, parties, effective date of document, date of recording, and the recording office. If recordation information is not available at the time of closing, the Seller/Servicer must deliver an endorsement which modifies the policy to include the recordation information for all loan documents filed for record in connection with the Mortgage as soon as such information is made available.
2. The Title Policy must provide one of the following regarding each recorded document:
  - Book and page number or recorded instrument number
  - Date of recording of each document and the transaction number or other serial number, if any, indicated on the recording clerk's receipt in accordance with Section 29SBL.1(i)
  - Date of recording with blanks for the book and page or recorded instrument number in accordance with Section 29SBL.1(i)
  - Blanks for the date of recording and the book and page number or recorded instrument number in accordance with Section 29SBL.1(i)

**l. Insured Closing Protection Letter (08/15/24)**

If either of the recordation of the documents or the escrow and disbursement of funds in connection with the origination of the SBL Mortgage is being handled by a Title Company other than the Title Insurance Underwriter, then if available in the applicable jurisdiction, the Seller/Servicer or Single Counsel must also obtain and provide an insured closing protection letter addressed to Freddie Mac, or to the Seller/Servicer and its successors and assigns, that provides coverage for any loss that arises out of (i) the failure of the Title Company to comply with the Seller/Servicer's written closing instructions, or (ii) fraud or



dishonesty in handling the funds or documents in connection with the origination of the SBL Mortgage.

## **29SBL.2 Title exceptions (04/18/24)**

### **a. Deletion of standard exceptions (04/18/24)**

The Title Company must delete the standard exceptions on Schedule B, Part I of its policy, including any general survey exception, and the policy may omit Schedule B, Part II.

### **b. Analysis and approval of title exceptions (04/18/24)**

Seller/Servicer or Single Counsel must obtain, read and analyze each document that is an exception to the title insurance coverage to determine whether the exception would be acceptable to a prudent institutional lender. Exceptions that fall into one or more of the safe harbor categories set forth in Section 29SBL.2(e) are generally deemed acceptable. Regardless of whether an exception falls into one or more of the safe harbor categories, Seller/Servicer or Single Counsel must submit a written analysis of and receive express approval by Freddie Mac for any exception for which Seller/Servicer or Single Counsel determines any of the following apply:

- Any party's exercise of its rights under the exception could have a foreseeable adverse effect on the Borrower's intended use of the Property, including any interference with the present or proposed improvements on the Property or with the operation of the Property.
- Any party's exercise of its rights under the exception could impair lender's ability to enforce its rights under the SBL Mortgage or could adversely affect the lien priority of the SBL Mortgage.
- It would not be acceptable to a reasonable, prudent institutional lender in the area where the Property is located even if the exception technically falls within a safe harbor category.
- It results in an exception to the Seller/Servicer Representations and Warranties – Small Balance Loans.
- It could create potential safety or environmental issues.
- It could result in a material adverse effect on the SBL Mortgage, the security in the collateral intended to be provided by the mortgage, or the use or marketability of the Property.

### **c. Content of written title analysis (04/18/24)**

A written analysis of any title exception required by Section 29SBL.2(b) must include the following information:

- The Seller/Servicer or Single Counsel's recommendation for mitigating any risk evidenced by the exception (such as removal of an encroachment or specific affirmative title insurance) or the Seller/Servicer or Single Counsel's explanation of why mitigation

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may not be necessary or possible.

- The Seller/Servicer or Single Counsel's recommendation as to the acceptability of the exception. Instead of asking Freddie Mac whether the exception is acceptable, the recommendation must state why Freddie Mac should consider accepting this exception.

The Seller/Servicer or Single Counsel must provide sufficient detail to enable Freddie Mac to make any necessary decision regarding the acceptability of such an exception without having to read the document evidencing or creating the exception. Submission to Freddie Mac of the underlying document creating the exception does not relieve the Seller/Servicer or Single Counsel of the requirement to submit the written analysis of the exception. However, Freddie Mac reserves the right to require the Seller/Servicer or Single Counsel to submit the exception document(s).

**d. Delivery of title exception documents (04/18/24)**

The Seller/Servicer is required to deliver a copy of all recorded exception documents in accordance with the delivery requirements set forth in the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase).

**e. Safe harbor categories (04/18/24)**

**1. Utility easements**

Exceptions for public utility easements for local residential distribution, such as lines for gas, water and sewer, cable for electric, telephone or cable television (CATV), slope, storm drainage and/or storm water management, fire lane, driveway and emergency access easements and private cable easements for nationally recognized telecommunication and cable companies, are acceptable.

In addition to the above, to satisfy this safe harbor any cable easements for nationally recognized telecommunication and cable companies must not impose any obligations on the Borrower to take any affirmative actions or make payments.

This safe harbor category does not include (i) an easement for the storage of or general commercial transportation (except as provided below) or distribution of natural gas or petroleum products, or (ii) the installation or maintenance of any type of electrical or communication substation.

Easements for commercial transportation for utilities purposes are permitted under this safe harbor category; provided the easement limits the transportation area of any product in connection with the utilities to public roadways and the title insurance policy includes a specific notation as to such limitation.

**2. Encroachments on or projections over public utility easements or public property**

Exceptions for encroachments on or projections over public utility easements or public property, such as streets, alleys or sidewalks are acceptable provided that all of the following conditions are met:





- The encroachment does not interfere with the use of the easements or public property or with the exercise of rights of repair and maintenance in connection with the easements or public property.
- The removal of the encroaching improvement would not adversely affect the security for the SBL Mortgage.
- The Title Policy contains affirmative insurance against loss or damage suffered by reason of the entry of a decree or court order requiring the removal of the encroachment.

Notwithstanding the foregoing, the Seller/Servicer may use this safe harbor category for any private utility easement, if, in addition to the conditions stated above, the easement identifies the obligations of each party under the easement.

### **3. Restrictive agreements**

Exceptions for covenants of record are acceptable provided that all of the following conditions are met:

- If the excepted document provides for periodic assessments payable by the Borrower, such assessments have been included in the operating expenses of the Property that the Seller/Servicer submitted to Freddie Mac for purposes of underwriting the SBL Mortgage, and all such assessments have been paid in full as evidenced by an estoppel certificate, or the Title Policy states that any such assessments are not yet due and payable or have been paid in full.
- The excepted document contains no other provisions that materially affect the Property's operating costs.
- There is not a violation of a covenant, condition or restriction known to the Seller/Servicer.
- The excepted document does not create or provide for any lien that would be prior to the lien of the SBL Mortgage, nor provide for the subordination or extinguishment of the lien of the insured SBL Mortgage or impair its validity or enforceability.
- The Property has been fully developed and is in compliance with any restrictive agreements regarding green space or other restrictions in development.

This safe harbor category does not include restrictive agreements that affect occupancy, leasing, access, use, setback, density, minimum building size or minimum unit size or require the Borrower to reserve a certain number or percentage of units for low income tenants. This safe harbor category does not include condominium declarations or other documentation related to a condominium regime.

### **4. Mutual easement agreements and party walls**

Exceptions for recorded mutual easement agreements that establish a joint driveway, pathway, party wall, storm drain, or detention pond are acceptable if the easement



agreement allows all present and future owners unlimited use of the driveway, pathway, party wall, storm drain, or detention pond without any restriction other than restriction by reason of the mutual easement owners' rights in common and duties for joint maintenance.

This safe harbor category does not include mutual easement agreements that relate to shared facilities or primary access to the Property. Such an agreement must also meet the specific requirements of Section 8SBL.6.

Party walls that are not subject to an easement agreement are acceptable provided the title insurance policy affirmatively insures that the wall may remain undisturbed for as long as such wall remains standing.

## **5. Fence or wall misplacements**

Exceptions for fence or wall misplacements on either side of the property line of the Property are acceptable, provided that neither the misplacement nor a future correction of it will interfere with the use of any improvements on the Property nor with the use of the balance of the Property not occupied by improvements.

The definition of walls in this safe harbor category does not include building walls, retaining walls that serve in whole or in part a structural purpose or other permanent structures.

## **6. Encroachments on the Property by improvements on adjoining property**

Exceptions for encroachments on the Property by improvements on adjoining property are acceptable provided that all of the following conditions are met:

- The encroachment does not touch any improvements on the Property.
- Loss of use of any portion of the Property occupied by the encroachment will not interfere with the use of any improvements on the Property or cause the Property to be out of compliance with any zoning code or building code requirements, including requirements for number of parking spaces, open space or density.

## **7. Encroachments onto adjoining property**

Exceptions for encroachments of the Property onto adjoining property in the form of eaves, awnings, canopies, balconies, cornices or other projections attached to improvements on the Property, or by other structures such as tool sheds, storage sheds, carports, garages not attached to residential structures, or by a driveway appurtenant to the Property are acceptable if an endorsement to the title insurance policy affirmatively insures against loss suffered by reason of the entry of a decree or court order requiring the removal of the encroachment, and for encroachments by carports or garages not attached to residential structures, loss of any parking spaces will not cause the Property to be out of compliance with any zoning code requirement.

## **8. Oil, gas, ground water and mineral rights**

Exceptions for outstanding oil, gas, ground water or mineral rights are acceptable



provided all of the following conditions have been met:

- The exercise of such rights will not result in damage to the Property or impairment of the use of the Property for its intended purpose.
- There is no right of surface entry on the Property (whether express or by operation of law).
- If title to the land was initially granted by the U.S. government through a patent grant under which mineral rights were established, then a STG Patent Endorsement 1 or another equivalent endorsement is being provided.

See Section 29SBL.2(e)(15) for the safe harbor exceptions to title for the riparian rights of others.

#### **9. Liens for taxes not due**

Exceptions for liens for real estate or ad valorem taxes and assessments are acceptable if they specifically state that such liens either:

- Are not yet due and payable, or
- Are due but not yet delinquent

For states in which there are supplemental real estate taxes or other "roll back" taxes, language substantially similar to the following language must also be included;

"The lien of supplemental taxes and/or adjusted taxes, if any, [pursuant to the (applicable state) Revenue and Taxation Code] assessed as a result of a change in ownership or the completion of new construction occurring on or after the date of the policy, none yet due and payable as of the date of the policy."

#### **10. Tenants in possession**

Exceptions for rights of tenants in possession, as tenants only, under prior unrecorded residential leases, are acceptable.

#### **11. Reserved**

#### **12. Avigation easements**

Exceptions for avigation easements relating to aircraft rights are acceptable.

#### **13. Condominiums**

Exceptions for (i) condominium regimes or declarations of condominium rights or the equivalent in which the Borrower owns 100 percent of the condominium units at the Property, and/or (ii) condominium maps or references to condominium maps in the legal description where there is no condominium regime or declaration of condominium rights in effect are acceptable.



If the excepted document provides for periodic assessments payable by the Borrower, then either all such assessments must have been paid in full as evidenced by an estoppel certificate, or the Title Policy must state that any such assessments are not yet due and payable or have been paid in full.

**14. Calculation of acreage**

Exceptions for calculation of acreage, including shortage of area and engineering calculation of acreage are acceptable.

**15. Riparian rights**

Exceptions for riparian rights and navigational servitude are acceptable. Exceptions for water rights, claims or title to water are acceptable provided the title insurance policy contains CLTA Form 103.5-06 or ALTA 41.1-06 in accordance with Section 29SBL.1(g).

**16. Temporary construction easements**

Exceptions for temporary construction easements are acceptable provided that the construction has been completed and there are no further obligations by any party to the easement under such easement.

If a temporary construction easement is dated, or the terms of the easement expired, within the last 12 months of the date of the Title Policy, Single Counsel must advise whether affirmative mechanics lien coverage must be obtained, and if so, arrange to have it included with the Title Policy.

**17. Itemized survey and/or plat exceptions**

Itemized survey and/or plat exceptions for water detention basins, guy wires, power poles, buffers/landscape easements, curbing, light poles, electric/cable/phone boxes, sanitary sewer manholes, water valves, water/electric/sanitary sewer facilities, lake/creek/stream/pond, reinforced concrete pipes, drains and drainage systems, building setback lines that have not been encroached upon by buildings or retaining walls that in whole or in part serve as structural support to improvements on the Property as well as other non- structural items that do not violate any zoning laws or regulations to which the Property may be subject (e.g., fences, boundary walls, signs that lie within the building setback lines), sidewalks, road visibility easements, and traffic control devices are acceptable.

**18. Sewer and utility line tie-ins benefiting adjacent property**

Easements allowing an adjacent property to tie into sewer and utility lines are acceptable provided that the easement specifically allocates responsibility to the parties for maintenance and any costs.

**19. Restricted access to roadway, relinquishing rights to future curb cuts**

Restricted access to roadway and/or the relinquishment of rights to future curb cuts are acceptable provided that access from the Property to a public roadway is available



at all times (whether directly or by agreement meeting the requirements of Section 8SBL.6).

**20. Rights of public in and to portions of public roadway, public sidewalks or public trails**

Rights of the public in and to portions of public roadways, public sidewalks or public trails are acceptable.

**21. Telecommunication and cable company agreements**

A lease, license, easement or agreement for the provision of cable television, Internet, personal communications systems, high speed data or other telecommunication systems to the Property, including marketing support agreements, (“telecommunications agreement”) is acceptable, provided that it (a) contains terms and provisions, including compensation, that are customary for the market in which the Property is located, and (b) does not impose any financial obligations equal to or greater than \$50,000 on the Property owner, and does not impose any financial obligations on any mortgagee, and/or subsequent owner by foreclosure, deed in lieu of foreclosure or other conveyance (including reimbursement of any up-front fee paid by the provider to the Property owner upon termination of the agreement).

If any easements are created pursuant to such telecommunication agreements, such easements satisfy Section 29SBL.2(e)(1).

**22. Laundry leases**

Laundry leases with third party vendors are acceptable.

**23. [Facsimile] Collateral Assignment of Beneficial Interest**

Exceptions for a [Facsimile] Collateral Assignment of Beneficial Interest for Illinois Land Trust loans are acceptable.

**24. Emergency and/or Public Utility Vehicle Access Easements**

Exceptions for emergency and/or public utility access easements are acceptable.

**25. Waterfront Property or Property Bounded by Water**

Exceptions for changes in the location of boundary lines as a result of accretion, reliction, erosion and avulsion are acceptable.

**26. Redevelopment and Urban Renewal Plans**

Exceptions for rights of cities or other applicable governmental authorities under redevelopment and urban renewal plans are acceptable; provided (i) the Property is in compliance with such plans; (ii) there are no on-going obligations of the Borrower under such plans (including future development, tenant restrictions, filing/reporting obligations, assessments, charges or liens); and (iii) there are no restrictions in the plans which would have an adverse impact on the use or valuation of the Property.



## **27. Improvements Designated as Landmarks**

Exceptions for improvements that are designated by the applicable governmental authorities as landmarks are acceptable; provided that affirmative coverage for any loss resulting from the improvement being designated a landmark is provided or, if affirmative coverage is not available, the results of a current Landmark's Preservation Department search or an equivalent search confirm that there are no landmark violations indexed against the Property.

## **28. \$1.00 Condemnation Clause in Deeds**

Exceptions for a "\$1.00 Condemnation Clause" in New York City deeds conveying the Property from New York City to a third party are acceptable provided that the Seller/Servicer or Single Counsel confirms that no portion of the Property lies within a proposed street.

## **29. Exception for condominium/cooperative conversion restriction**

Exception for a prohibition against conversion of the Property to a condominium or cooperative structure is acceptable, provided the agreement does not contain any indemnification of property seller in connection with the conversion or other potential Lender liability.

If the condominium/cooperative conversion restriction does contain an indemnification in connection with the conversion, the Seller/Servicer or Single Counsel must advise Freddie Mac.

### **f. Exception for Private Transfer Fee Covenant (04/18/24)**

If the Title Policy contains an exception for a Private Transfer Fee Covenant that was created on or after February 8, 2011, the SBL Mortgage is ineligible for purchase by Freddie Mac. See Section 8SBL.14.

## **29SBL.3 Legal description requirements (04/18/24)**

For each SBL Mortgage purchased by Freddie Mac, Seller/Servicer or Single Counsel must confirm that security instrument, related assignment, title insurance policy, UCC Financing Statements, and all other documents pertaining to the SBL Mortgage have a legal description that matches in all material respects the legal descriptions in the other documents.

## **29SBL.4 Uniform Commercial Code search requirements (04/18/24)**

No earlier than 30 days prior to the Origination Date, the Seller/Servicer must cause a Uniform Commercial Code (UCC) search to be performed in the local jurisdiction in which the Property is located for the Borrower, if the loan is a refinance, or if the Property is being acquired by the Borrower, the current owner of the Property. This search must be conducted by a reputable title or search firm.

If the UCC search indicates that there are any financing statements on file (other than the financing statements filed by the current lender that will be released at origination of the SBL



Mortgage) then, prior to the Origination Date, the Seller/Servicer or Single Seller Counsel must provide an explanation of those financing statements to Freddie Mac.

#### **29SBL.5 Survey requirements (04/18/24)**

A new survey is not required for SBL Mortgages.

If the title insurance policy contains an exception for any itemized survey or plat matters, the Seller/Servicer must deliver an electronic copy of the referenced survey or plat with the recorded exception documents, in accordance with Section 29SBL.2.



# Multifamily Seller/Servicer Guide

## Chapter 30

### Ground Lease Mortgages



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- 30.2 [Underwriting requirements for ground lease Mortgages \(02/27/25\)](#)
- 30.3 [Requirements for all ground lease Mortgages \(06/25/20\)](#)
- 30.4 [Additional requirements when Ground Lessor will not join in Mortgage \(Unsubordinated Ground Lease\) \(02/27/25\)](#)
- 30.5 [Amendment to Ground Lease \(09/26/19\)](#)
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### 30.1 General requirements (09/26/19)

In general, Freddie Mac will consider purchasing a multifamily Mortgage secured by a lien on a leasehold estate ("ground lease Mortgage") only if the lease ("ground lease") demising the leasehold estate ("leasehold interest") to the Borrower (including its successors and assigns, unless otherwise noted, the "Ground Lessee") meets the terms and conditions set forth in this chapter.

In addition to the specific terms and conditions set forth in this chapter, Freddie Mac's purchase of a ground lease Mortgage (other than an SBL Mortgage or a TEL secured by a ground lease) is conditioned upon approval by Freddie Mac after review by counsel for Freddie Mac of the Seller's Ground Lease Analysis. Freddie Mac's purchase of an SBL Mortgage or a TEL secured by a ground lease is conditioned upon Single Counsel's approval based on its analysis of the ground lease and determination that the ground lease complies with the requirements of this chapter.

### 30.2 Underwriting requirements for ground lease Mortgages (02/27/25)

#### a. Copy of ground lease

At full underwriting (or at preliminary underwriting for an early rate-lock delivery), the Seller must deliver a copy of the executed ground lease and all existing amendments as follows:

- For a non-SBL ground lease Mortgage, to the *Applicable Freddie Mac Multifamily Regional Office* (with a copy to the applicable *Multifamily Attorney*).
- For an SBL ground lease Mortgage, to the *Small Balance Loan Team*.

#### b. Term of ground lease

The remaining term of the ground lease, together with any renewal options, must meet the following requirements:

- For a fully amortizing ground lease Mortgage, the remaining ground lease term must extend beyond the maturity date of the ground lease Mortgage by at least 10 years.
- For a partially amortizing ground lease Mortgage or for one with no amortization, the remaining ground lease term must be the longer of (a) the amortization period of the ground lease Mortgage plus any interest-only period, and (b) 20 years beyond the maturity date of the ground lease Mortgage.
- Renewal options that are at the sole discretion of the landlord under the ground lease ("Ground Lessor"), even if the Ground Lessor is controlled by or under common control with the Borrower, may not be considered part of the ground lease term for purposes of satisfying the ground lease term requirements set forth in this chapter.

#### c. Base Rent

1. The base rent payable under the ground lease must be a fixed ascertainable sum and the ground lease must not contain any provisions that permit increases, escalations or re-sets in the base rent, other than a sum certain increase at a specified date or time interval.



2. Increases, escalations or re-sets in the base rent based on a reappraisal of the Property are not acceptable.

d. Analysis

1. For a non-SBL ground lease Mortgage: Seller's legal counsel must confirm using the Ground Lease Analysis whether or not the ground lease satisfies all applicable requirements therein and in this chapter or will be amended prior to the Origination Date of the Mortgage to comply with all of the requirements.

If the ground lease fails to satisfy any of the applicable requirements and the ground lease will not be amended, then Seller's legal counsel must provide a legal analysis as part of the Ground Lease Analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to why Freddie Mac should accept the ground lease without it being compliant with the applicable provisions of this chapter.

As part of such recommendation, Seller's legal counsel must determine that any deviation from the requirements of this chapter satisfies each of the following conditions:

- It does not adversely affect the marketability of the ground lease estate.
- It will not have a foreseeable adverse effect on the Borrower's intended use or operation of the Property.
- It could not adversely affect Freddie Mac's ability to enforce its rights or remedies under the ground lease Mortgage.
- It does not deprive Freddie Mac of industry standard leasehold mortgagee protections or, to the extent one or more industry standard leasehold mortgagee protections are not included in the ground lease, the Ground Lease Analysis must describe such deficiency and why such deficiency should be acceptable to a prudent commercial lender, including Freddie Mac, together with any recommendations for potential mitigating provisions to be added to the loan documents, including any additional representations, covenants or recourse provisions.

Submission of the ground lease document alone is not sufficient and does not relieve the Seller of its responsibility to submit the required Ground Lease Analysis (together with any recommendations for any non-compliant matters) prepared by its counsel.

2. For an SBL ground lease Mortgage: Single Counsel must confirm whether the ground lease satisfies all applicable requirements in this chapter. If the ground lease fails to satisfy any of the applicable requirements and the ground lease will not be amended prior to the Origination Date of the Mortgage to comply with all of the requirements, then Single Counsel must determine that any deviation from the requirements of this chapter satisfies each of the following conditions:
  - It does not adversely affect the marketability of the ground lease estate.



- It will not have a foreseeable adverse effect on the Borrower's intended use or operation of the Property.
- It could not adversely affect Freddie Mac's ability to enforce its rights or remedies under the ground lease Mortgage.
- It does not deprive Freddie Mac of industry standard leasehold mortgagee protections.

### 30.3 Requirements for all ground lease Mortgages (06/25/20)

Except for a ground lease or other lease structure in place to obtain/maintain a tax benefit (discussed in Section 30.9), if the Ground Lessor will join in the Mortgage and mortgage its fee interest in the Property, then the ground lease will be considered a subordinated ground lease. If the Ground Lessor will not join in the Mortgage, then the ground lease will be considered an unsubordinated ground lease (see Section 30.4). Unsubordinated ground leases are not permitted for SBL Mortgages.

For any ground lease Mortgage to be eligible for purchase, the ground lease (whether subordinated or unsubordinated) must meet the following requirements:

a. Casualty

1. The ground lease must not contain a provision for termination in the event of damage or destruction, unless the ground lease Mortgage is paid in full.
2. The ground lease mortgagee must have the right to participate in adjustment of losses as to hazard insurance proceeds.
3. Hazard insurance proceeds must be paid to the ground lease mortgagee or an independent trustee acceptable to the ground lease mortgagee.
4. The Ground Lessor must not receive any hazard insurance proceeds until (i) the Property is fully restored or (ii) the ground lease Mortgage is paid in full.
5. If the Ground Lessee is obligated to rebuild after a casualty, then the Ground Lessee's obligation to rebuild must be limited to the amount of available insurance proceeds.
6. The ground lease must provide that no parties, other than the Ground Lessee and the ground lease mortgagee, will have any rights to (i) consent to or supervise the restoration of the Property (for example, the Ground Lessor may not have any right to participate in the adjustment of losses, approve budgets or approve plans and specifications) and/or (ii) control and/or supervise the administration and disbursement of the hazard insurance proceeds.
7. Either (i) the ground lease must provide that insurance proceeds may be applied to the ground lease Mortgage in accordance with the loan documents or (ii) the failure of the ground lease to provide as set forth in clause (i) must be disclosed to Freddie Mac in the Ground Lease Analysis and approved by Freddie Mac.



b. Condemnation

1. The ground lease must provide that a ground lease mortgagee receives notice of, and has a right to participate in, any condemnation proceedings and settlement discussions.
2. The ground lease must set forth the formula for allocating the condemnation award between the Ground Lessor, the Ground Lessee and the ground lease mortgagee (for both partial and total condemnation). The ground lease must provide that any payment to the ground lease mortgagee or an independent trustee acceptable to ground lease mortgagee, as applicable, must not be less than the total award minus the value of the land that was taken pursuant to the condemnation (considered as unimproved, but encumbered by the ground lease).
3. The ground lease must provide for payment to the ground lease mortgagee (or independent trustee acceptable to ground lease mortgagee for restoration in the case of partial taking) of any condemnation award to which the Ground Lessee is entitled under applicable law.
4. In the case of a partial taking, the ground lease must permit the Ground Lessee to rebuild and restore the improvements on the Property, unless the ground lease mortgagee requires or consents to distribution of the proceeds. In that event, the ground lease must permit proceeds to be applied first toward reduction of the ground lease Mortgage.
5. The ground lease must provide that no parties, other than the Ground Lessee and the ground lease mortgagee, will have any rights to (i) consent to or supervise the restoration of the Property (for example, the Ground Lessor will not have any right to approve budgets or plans and specifications) and/or (ii) control and/or supervise the administration and disbursement of the portion of the condemnation award to which Ground Lessee is entitled.
6. Either (i) the ground lease must provide that condemnation awards may be applied to the ground lease Mortgage in accordance with the loan documents or (ii) the failure of the ground lease to provide as set forth in clause (i) must be disclosed to Freddie Mac in the Ground Lease Analysis and approved by Freddie Mac.

c. Shared Appreciation Rights/Equity Participation

The ground lease may not grant the Ground Lessor (or any other party) shared appreciation rights or an equity participation in the Property (e.g., any right to share in the proceeds from a future financing/sale of the Property or the operating cash flow of the Property).

### 30.4 **Additional requirements when Ground Lessor will not join in Mortgage (Unsubordinated Ground Lease) (02/27/25)**

For any ground lease Mortgage to be eligible for purchase, an unsubordinated ground lease must meet the following requirements, in addition to those set forth elsewhere in this chapter.

a. General



1. Original lessee

If the Borrower is not the original lessee under the ground lease, then there must be evidence that the fee owner of the Property (“Ground Lessor”) has specifically recognized the Borrower as lessee under the ground lease.

2. Recordation

The ground lease (including all amendments) or a memorandum of the ground lease and any assignments by the Ground Lessor or Ground Lessee of its interest in the ground lease must be recorded in the official land records of the jurisdiction where the Property is located.

3. Full Force and Effect

All conditions precedent to effectiveness of the ground lease term commencement must have been fully satisfied by the Origination Date of the ground lease Mortgage and the ground lease must be in full force and effect.

4. Use

If the ground lease does not permit “any lawful use”, then at a minimum it must permit the Property to be used as it is currently being used on the Origination Date of the ground lease Mortgage and must not contain any unreasonable restriction on the use of the real property.

5. Ground lease mortgagee

The ground lease must not contain any conditions, restrictions or limitations on what type of lender (including such lender’s successors and assigns) is qualified to be a “ground lease mortgagee”.

6. Unaffiliated Ground Lessor

The Ground Lessor must not be an Affiliate of the Borrower.

b. Extension, Purchase, and Cancellation

1. Rights to extend or purchase

The ground lease must provide that the ground lease mortgagee may exercise any rights to extend the term of the ground lease or purchase the Property (if applicable) without the consent or joinder of the Ground Lessee.

2. Cancellation

The ground lease must provide that any termination, surrender or cancellation of the ground lease will not be effective without the prior written consent of the ground lease mortgagee.



c. Subletting and mortgaging the ground lease

1. Right to mortgage

The ground lease must expressly permit the Ground Lessee to mortgage the ground lease without any limitation or restriction.

2. Right to Sublet

The ground lease must provide that the Ground Lessee must have the right to sublet, subject only to objective criteria that would be acceptable to a prudent commercial lender. A provision in the ground lease that “Ground Lessor’s consent will not be unreasonably withheld” (or similar provision) is not sufficient.

3. Commercial space

If the Property contains commercial space, then the ground lease must contain reasonable, objective standards requiring the Ground Lessor to grant nondisturbance and attornment agreements to commercial tenants.

d. Ground lease mortgagee protections

The ground lease must contain the following provisions:

1. Notice

The ground lease must require the Ground Lessor to give written notice to the ground lease mortgagee of all Ground Lessee defaults as a condition precedent to the Ground Lessor’s exercise of any remedies for such default. The Ground Lessor must forward to the ground lease mortgagee copies of any notices it sends to the Ground Lessee, other than rent and other periodic billing notices.

2. Estoppel Certificates

The Ground Lessor must be obligated to deliver estoppel certificates to the ground lease mortgagee on request.

3. Modifications

The Ground Lessee must be prohibited from modifying the ground lease in any material manner or restating the ground lease without the prior written consent of the ground lease mortgagee.

4. Defaults and cure period

- Right to cure. The ground lease mortgagee must have the right to cure a monetary default or a non-monetary default that is capable of being cured by a ground lease mortgagee within the time permitted to the Ground Lessee, plus a reasonable additional time period (i.e., at least 10 days beyond any grace period granted to





Ground Lessee for monetary defaults and at least 60 days beyond any grace period granted to Ground Lessee for non-monetary defaults).

- Defaults not capable of being cured. The ground lease mortgagee must have protection against a default that is not capable of being cured by a ground lease mortgagee, including the following provisions:
  - The ground lease must prohibit termination of the ground lease as a result of any defaults of the Ground Lessee that by their nature are not capable of being cured by a ground lease mortgagee, so long as monthly base rents are being paid. Alternatively, the ground lease may provide that the Ground Lessor must waive a non-monetary default that is incapable of being cured if the ground lease mortgagee has commenced and is diligently pursuing the exercise of its rights and remedies and has cured any curable defaults within the applicable cure period afforded a ground lease mortgagee.
  - The ground lease must allow the ground lease mortgagee additional time to obtain relief from any bankruptcy stay in the Ground Lessee's bankruptcy sufficient to enable the ground lease mortgagee to either foreclose the lien of the ground lease Mortgage or obtain the appointment of a receiver or secure other remedies necessary to enable the ground lease mortgagee to take control of the Property.

#### 5. Foreclosure

The ground lease must allow a foreclosure or acceptance of a deed-in-lieu of foreclosure by the ground lease mortgagee, its nominee or its designee without the consent of the Ground Lessor and without any conditions, restrictions, approvals or limitations. The ground lease mortgagee must have the unrestricted and unconditional right to further assign the ground lease and leasehold interest, subject only to delivery of notice to the Ground Lessor and other routine documentation requirements.

#### 6. New lease

If the ground lease terminates for any reason (including the rejection of the ground lease in a bankruptcy proceeding) other than expiration of the term, then the Ground Lessor must be obligated, without any conditions, restrictions, approvals or limitations, to enter into a new lease with the ground lease mortgagee, its nominee or its designee on the same terms and conditions as the original ground lease and with the same title priority.

#### 7. Personal liability

The ground lease (or an estoppel certificate executed by the Ground Lessor) must provide that any liability of the ground lease mortgagee and its assigns must be limited to the value of its interest in the ground lease.

#### 8. Release of liability



The ground lease must provide for an automatic release of the ground lease mortgagee and its assigns from any further liability to the Ground Lessor after the assignment of the ground lease.

9. No merger

The ground lease (or an estoppel certificate executed by the Ground Lessor) must contain a provision that there will not be a merger of the fee title with the leasehold interest if the Ground Lessee becomes the owner (through acquisition or otherwise) of the fee estate.

e. Encumbrances on the fee

- Existing mortgage on fee estate

Any existing mortgage on the fee estate of the Ground Lessor must be subordinated to the ground lease, any subleases and any new ground lease given to ground lease mortgagee after termination of the original ground lease.

- Future mortgage on fee estate

The ground lease must prohibit the Ground Lessor from mortgaging the fee estate unless there is an express subordination of the fee mortgage to the Ground Lessee's interest under the ground lease, the interest of any ground lease mortgagee, any subleases and any new ground lease given to a ground lease mortgagee after termination of the original lease.

f. Sublease

If the ground lease is a sublease, then Seller's legal counsel or Single Counsel, as applicable, must review each lease/sublease in accordance with this chapter, and Freddie Mac must be satisfied that it has received adequate additional security or other assurances to mitigate the legal risks inherent in a sublease structure.

### 30.5 Amendment to Ground Lease (09/26/19)

If the ground lease does not meet all the conditions in this chapter, as applicable, and any areas of non-compliance described in the Ground Lease Analysis are not acceptable to Freddie Mac, then Freddie Mac may require an amendment to the ground lease. Freddie Mac will not accept an amendment to the ground lease in an estoppel certificate (except for personal liability and merger, as provided in Section 30.4(d)(7) and (9)) unless the estoppel certificate is recorded and provides that it amends the ground lease for the benefit of the Ground Lessee and any future ground lease mortgagee.

### 30.6 Lessor's Estoppel Certificate (09/26/19)

An estoppel certificate is not required if the ground lease will be executed simultaneously with the ground lease Mortgage.



For non-SBL Mortgages, the Seller must deliver a draft Ground Lessor's estoppel certificate to the Applicable Freddie Mac Multifamily Regional Office, with a copy to the applicable Multifamily Attorney for approval, at least 10 days before the Origination Date. At a minimum, the estoppel certificate must contain the provisions set forth in the Multifamily Ground Lessor's Estoppel Certificate found on FreddieMac.com. Freddie Mac may require that the Seller add additional provisions to the estoppel certificate, based upon Freddie Mac's review of the Ground Lease Analysis. The estoppel certificate must be dated within 30 days prior to the Origination Date.

The Seller must submit the approved and executed estoppel certificate to Freddie Mac at final delivery of the Mortgage.

### **30.7 Reserve for rents (06/25/20)**

A Reserve for ground rents is not required if the security for the Mortgage includes a lien on the fee estate.

For all other ground lease Mortgages, the Seller must establish an appropriate Reserve, as determined by Freddie Mac, for rents due under the ground lease. At the time of final delivery of the ground lease Mortgage to Freddie Mac, the Seller must complete one of the following two forms, as applicable:

- [Form 1058, Letter Agreement for Servicer's Reserve Custodial Account](#), or
- [Form 1060, Letter Agreement for Reserve Custodial Account](#)

The form must be completed by the depository institution holding the Custodial Account and must acknowledge Freddie Mac's interest in the Custodial Account. The completed form must be delivered to Freddie Mac at the address provided on the form.

### **30.8 Title insurance for ground lease Mortgages (09/26/19)**

In addition to meeting the requirements set forth in Chapter 29 or Chapter 29SBL, as applicable, the policy must include the following:

1. Reference to the status of fee simple title to the Property and insurance that the Ground Lessee's interest under the ground lease and the Ground Lessee's option, if any, to purchase the fee interest in the related land, and
2. Insurance that the ground lease is not subordinate to any lien or encumbrance (other than the ground lease Mortgage, if the fee owner is granting a mortgage on the fee estate).

Freddie Mac may require additional endorsements that it determines are appropriate.

### **30.9 Leases with Government Agencies (including Industrial Development Agencies) (09/26/19)**

If the Borrower has entered into a ground lease with a government agency (including an Industrial Development Agency or Authority) for the purpose of obtaining a tax abatement, tax exemption or payment in lieu of taxes ("tax benefit"), then Seller's legal counsel or Single Counsel (as applicable) must analyze the ground lease as follows:



- If the tax benefit is used in the underwriting of the Mortgage, then the ground lease must be analyzed as an unsubordinated ground lease (even if the governmental agency granting the tax benefit will join in the Mortgage).
- If the tax benefit is not used in the underwriting of the Mortgage, then the ground lease must be analyzed as a subordinated ground lease.

# Multifamily Seller/Service Guide

## Chapter 31

### Insurance Requirements



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## 31.1 General insurance requirements and insurance terms (02/22/24)

This chapter states the Property and Liability Insurance requirements applicable to Multifamily loans purchased by Freddie Mac.

### a. General requirements (06/30/16)

At all times during the term of the Mortgage, the Seller/Servicer must:

- Ensure that the Property is covered by all insurance policies required by the Loan Documents and the Purchase and Servicing Documents
- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Arrange for all insurance notices, policies, invoices and correspondence relating to any insurance policy to be delivered directly to the Seller/Servicer
- Comply with the stated insurance coverage and limit requirements in this Chapter 31 that are applicable to the Property
- Comply with all documentation, delivery and Servicing requirements of this Chapter 31

### b. Requirements applicable only to SBL Mortgages (12/15/22)

#### 1. Requirements for adequate property and liability insurance coverage

As of the Freddie Mac Funding Date and throughout the term of the SBL Mortgage, the Seller/Servicer must evaluate the insurance coverage and limits for each Property and ensure, to its satisfaction, that adequate property and liability insurance coverage is in place.

The term “Recommended Insurance Standards” means all of the standards for insurance coverage and limits as well as any related guaranty requirements set forth in this Chapter 31.

When evaluating the adequacy of the property and liability insurance coverage for the Property, the Seller/Servicer must refer to the Recommended Insurance Standards and must document, as specified in Section 31.1(b)(2), any insurance coverage limit, insured peril, or other aspect of the insurance coverage that differs from the Recommended Insurance Standards. The Seller/Servicer may approve insurance coverage for the Property that differs from the Recommended Insurance Standards provided that the Seller/Servicer ensures that the insurance coverage maintained for the Property includes adequate coverage for the kind of risks customarily insured against and in such minimum coverage and maximum deductibles as are customarily and generally acceptable to institutional lenders for properties comparable to the Property.

At all times during the term of the SBL Mortgage, the Seller/Servicer must also:

- Ensure that the Borrower and the Property are covered by all insurance policies required by the Loan Documents



- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Comply with all documentation, delivery and servicing requirements of Sections 31.2 through 31.28

The Seller/Servicer is not permitted to exercise its discretion to approve coverage that differs from the following:

- The All-Risk insurance requirements in Section 31.5
- The Business Income/Rental Value Insurance requirements in Section 31.6
- The flood insurance requirements in Section 31.8
- The earthquake insurance requirements in Section 31.9

## **2. Representations of adequate insurance coverage; Coverage and Gap Reporting**

As of the Freddie Mac Funding Date and throughout the term of each SBL Mortgage, the Seller/Servicer must document via the Insurance Compliance Tool (ICT) each of the following (collectively, “Coverage and Gap Reporting”)

- The property and liability limit insurance coverage in place for the SBL Mortgage
- Any insurance coverage limit, insured peril or other aspect of insurance coverage for the SBL Mortgage that differs from the Recommended Insurance Standards applicable to the Property

Freddie Mac will accept the Coverage and Gap Reporting entered by the Seller/Servicer into the ICT as the Seller/Servicer’s representation of adequate property and liability insurance coverage for the SBL Mortgage and justification of the adequacy of coverage where coverage gaps are present.

### **c. Form of coverage (06/30/16)**

The required insurance coverage may be provided by one individual policy, separate individual policies, one or more Blanket Insurance policies, a master program, or any combination of these. Coverage may also be added to a policy through endorsements or riders. Regardless of the form, each policy, endorsement or rider must show the complete address of the Property.

### **d. Additional insurance terms (02/22/24)**

The following insurance terms when used in this chapter have the following meanings:

#### **1. Agreed Amount provision**



The Borrower and the insurance company agree that if the Property is insured for a specified dollar amount, the Coinsurance Clause will be offset or suspended.

## **2. Specific Insurance Limit**

A Specific Insurance Limit provides one “per occurrence” (per peril) limit that applies to a single location. Specific Insurance Limits may be provided through an individual policy or through a master policy with scheduled limits for each location.

## **3. Blanket Insurance Limit**

A Blanket Insurance Limit provides one “per occurrence” limit as a shared limit for more than one property or more than one category of coverage, or both. Blanket Insurance Limits may be provided by an individual policy or a blanket policy.

## **4. Blanket Insurance Policy**

A blanket insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Blanket Insurance Limits.

## **5. Master Insurance Policy**

A master insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Specific Insurance Limits scheduled for each property covered by the policy.

## **6. Coinsurance Clause**

The Coinsurance Clause requires the Property to be insured for a specific percentage of the Property’s Replacement Cost Value (typically 80, 90 or 100 percent) in exchange for a lower rate. If, at the time of loss, it is determined that the insurance purchased is less than the insurance required by the Coinsurance Clause, the loss recovery will be limited to the same percentage of loss as the ratio of the insurance amount carried to the insurance amount required.

## **7. Joint Loss Agreement**

Where the property damage policy and the Boiler and Machinery policy are provided by different insurance companies, an endorsement added to both the property damage policy and the Boiler and Machinery policy that requires the respective insurance companies to each pay 50 percent of any claim covered by both policies.

## **8. Replacement Cost Value**

The Replacement Cost Value (RCV) is the estimated cost to replace the Property improvements on the same premises with improvements of comparable material and quality and used for the same purpose.

The following items should not be included in the estimated RCV:



- Cost to reconstruct the foundation(s). (However, when determining the RCV of improvements for flood insurance, the value must include the cost to repair or replace the foundation and supporting structures)
- Cost of site improvements, such as driveways, parking lots, sidewalks, and landscaping

Though the Seller/Service may use other reliable resources to determine estimated RCV, the most common resources include:

- **Insurance company** – the RCV estimate provided by the insurance company that has underwritten or will underwrite the property damage insurance. Using the insurance company's estimate, where provided, will help reduce any disagreements about coverage if a claim is filed
- **Appraiser** – a qualified commercial real estate appraiser experienced in the market
- **Contractor** – a reputable commercial contractor with experience constructing and/or reconstructing properties in the area similar to the Property
- **Third-party vendor** – a third-party vendor that specializes in RCV calculations or publishes data used for this purpose

## 9. Actual Cash Value

Actual Cash Value is the cost to repair or replace damaged property with material of like kind and quality, minus physical depreciation at the time of the damage or loss.

## 10. Total Insurable Value (TIV)

The Total Insurable Value (TIV) equals the sum of the RCV of the building(s), the business income rental value, and the value of the business personal property, if any.

## 11. Schedule of Values (SOV)

A Schedule of Values (SOV) is a listing of insurable values (all elements of the TIV) provided to an insurance company for all properties for which an insured Borrower requires coverage under a property insurance policy.

### 31.2 General requirements for Borrower's property damage and general liability insurance (12/14/18)

As of the Freddie Mac Funding Date and throughout the term of the Mortgage, the Seller/Service must ensure that the Borrower has in force property damage and liability insurance coverage for the Property, including Cooperatives (Co-ops), that meets the requirements of the Purchase and Servicing Documents.

All property damage and general liability insurance forms and policies must provide coverage that is equivalent to the coverage contained in the Insurance Service Office (ISO) forms and policies.



**a. Acceptable forms (06/30/16)**

ISO's standard Special Causes of Loss Form (formerly referred to as "All Risk") and Commercial General Liability Form are acceptable forms of property damage and liability insurance, respectively.

**b. Insurance term (12/14/17)**

Generally, insurance policies are written for a term of 12 months. However, Freddie Mac will permit a policy of any term, as long as the policy is in full force and effect on the Origination Date of the Mortgage and coverage remains continuous throughout the term of the Mortgage.

See Section 31.22 for additional information on renewals.

**c. Reserve (05/01/14)**

Unless otherwise set forth in the Loan Documents or otherwise deferred by Freddie Mac, the Servicer must collect sufficient funds on the Origination Date and through subsequent monthly Reserve payments to pay the premiums for all insurance policies required in the Purchase and Servicing Documents. The Servicer must also collect Reserves for an additional amount of the estimated cost of such premiums, if required by the Loan Documents. If National Flood Insurance Program (NFIP) flood insurance is required, the Seller/Servicer must collect Reserves for the NFIP flood insurance if the Seller/Servicer collects Reserves for other insurance on the Property.

Unless Freddie Mac has deferred the collection of the Reserves for insurance premiums for Blanket Insurance policies, master programs, and liability insurance policies covering multiple properties, the Seller/Servicer must either:

- Collect Reserves for the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies, or
- Collect Reserves for an amount sufficient to purchase an individual insurance policy or policies providing Specific Insurance.

If the Servicer collects a Reserve for insurance premiums, the Servicer must pay the premiums for all required insurance when due.

If the Servicer does not maintain a Reserve for insurance premiums, the Seller/Servicer must ensure that the Borrower has made the payments as required in Section 31.2(g).

See Section 39.2 for additional information regarding Reserves and payments.

**d. Named insured (05/07/07)**

The named insured in each policy must be the Borrower or the Borrower Principal. If the Borrower Principal is the named insured, the Borrower must be named as an additional insured.



**e. Mortgagee clause and additional insured (12/14/18)**

Each property damage policy (including all perils within the scope of “Causes of Loss – Special Form” or “All Risk” policy, and any other cause for which Freddie Mac requires or may require property damage insurance) required by the Purchase and Servicing Documents must contain a standard mortgagee clause and a loss payable clause in favor of, and in a form acceptable to, Freddie Mac.

Each general liability policy (including commercial general liability (CGL), umbrella liability and excess liability) must name Freddie Mac as an additional insured. If umbrella or excess liability policies are “Follow Form” to the underlying CGL policy, verification of additional insured status on the umbrella or excess policies is not required.

Freddie Mac must not be named as an additional insured in any professional liability insurance policies, including a primary, excess and/or umbrella professional liability insurance policy for a Seniors Housing Mortgage with assisted living, Alzheimer’s care, and/or skilled nursing units.

Except as noted above, the mortgagee (for a property damage policy) and additional insured (for a liability policy including commercial general liability (CGL), umbrella liability and excess liability) in the Borrower’s insurance policies must be designated as shown in the following example:

FREDDIE MAC its successors and assigns  
C/O NAME OF SELLER/SERVICER  
100 MAIN STREET  
HOMETOWN USA 12345

**f. Cancellation clause (05/05/17)**

Unless required otherwise by State law, each property damage insurance policy must provide that the insurer will notify the named mortgagee in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason.

General liability and umbrella or excess liability insurance policies must provide that the insurer will notify at least the named insured in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason, unless otherwise required by State law. Note that under the terms of the Loan Documents, the Borrower must promptly deliver to the lender a copy of any notices received by the Borrower with respect to the insurance policies.

**g. Proof of payment (10/31/12)**

The Seller/Servicer must ensure that the Borrower:

- Has paid all initial insurance policy premiums in full prior to final delivery of the Mortgage to Freddie Mac, and



- Pays all insurance premiums for all renewals (or new policies, as applicable) in advance of the due date throughout the term of the Mortgage, unless the Servicer collects Reserves for insurance in accordance with Section 31.2(c).

### 31.3 Blanket or Master Insurance Policies (06/27/19)

Freddie Mac permits Blanket or Master Insurance policies that insure multiple properties, including the Property and other properties that may or may not be encumbered by Mortgages purchased by Freddie Mac, provided that:

- The insurance documentation clearly identifies the complete street address of the Property;
- All properties insured on the blanket policy have common ownership by a single borrower, sponsor or parent company, or are managed by the same property management company on behalf of the Borrower; and
- The policy complies with all other applicable insurance requirements in this chapter.

The Seller/Servicer must, to its satisfaction, determine, support and document in the Mortgage File that any Blanket Insurance Limits provide adequate coverage relevant to the risks associated with the Property covered by the limits.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's Blanket Insurance Limits, including geographic concentrations of insurable value, such as adjacent or nearby properties covered by the same limits, and with respect to any peril applicable to the Property. The Seller/Servicer must collect appropriate documentation such as Schedules of Value, evidence of insurance coverage or insurance policies, portfolio risk modeling results, and other relevant information the Seller/Servicer deems necessary to complete its analysis. Other relevant information may include property addresses, number of buildings and stories, building RCV, business income/rental value, business personal property (if any), whether there are buildings located in a SFHA requiring flood coverage, whether a property is located in an Elevated Seismic Hazard Region as defined in Section 64.2 or Section 64SBL.2, as applicable.

Freddie Mac recognizes that some Borrowers purchase property insurance through large programs that insure entities and properties that do not share a common ownership with the Borrower. Freddie Mac perceives additional risk in the Blanket Insurance policies for these properties and encourages the Seller/Servicer to carefully analyze these policies to determine if the Property and other Properties encumbered by a Freddie Mac Mortgage are adequately insured.





### 31.4 Acceptable insurers (01/01/13)

Each insurance carrier providing property damage and/or liability insurance, whether admitted or non-admitted, must comply with the minimum rating requirements below based on the carrier's aggregate exposure as follows:

INSURANCE CARRIER RATINGS AND FINANCIAL SIZE CATEGORIES					
Aggregate Carrier Exposure	Minimum A.M. Best Financial Strength Rating	AND	Minimum A.M. Best Financial Size Category	OR	Minimum Rating from: Fitch Inc., Standard & Poor's Rating Services, or Moody's Investors Service Inc.
≤ \$5 million	A-	AND	VII	OR	<ul style="list-style-type: none"> <li>A- by Fitch Inc., or</li> <li>A- by Standard &amp; Poors Ratings Services, or</li> <li>A3 by Moody's Investors Service Inc.</li> </ul>
> \$5 million & ≤ \$25 million	A-	AND	VIII		
> \$25 million	A-	AND	IX		

Insurance carrier rating requirements and minimum financial size categories are based on the aggregate carrier exposure, which is defined in the chart below.

Aggregate Carrier Exposure (for each individual carrier)		
Insurance type		Aggregate Carrier Exposure
Property damage insurance	Specific Insurance or policy for one Property	Required building coverage limits + required Business Income/Rental Value Insurance
	Blanket Insurance or master program from one carrier	Blanket Insurance or master program limit
	An individual policy, Blanket Insurance or master program with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates
Liability insurance	Specific Insurance or policy for one Property	Total aggregate limits (general liability + excess/umbrella)
	Liability insurance for multiple properties, or master program from one carrier	Total aggregate limits (general liability + excess/umbrella)
	An individual policy, liability insurance policy for multiple properties or master program with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates

**31.5 Property damage (All-Risk) insurance (02/22/24)**

Property damage insurance is required for all Mortgages to ensure the improvements are protected against loss or damage from fire and other perils covered within the scope of an Insurance Services Office (ISO) Special Causes of Loss or "All Risk" policy form. All-Risk insurance coverage must:

- Be written in an amount not less than 100 percent of the estimated RCV of the improvements without any deduction for depreciation, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount provision. If an Agreed Amount provision is used, the Agreed Amount must be no less than the estimated RCV.

In addition, coverage for roof coverings may be written on an Actual Cash Value basis.

Additionally, Freddie Mac recommends that the policy contain a Joint Loss Agreement if Boiler and Machinery insurance is required and the insurance carrier providing Boiler and Machinery insurance is different from the carrier providing property damage insurance.

Freddie Mac also recommends that the policy contain an Inflation Guard endorsement, providing for an annual adjustment of the insurance amount based on that geographic area's inflation rate, or a similar option. (Inflation Guard may not always be available.)

**a. Property damage (All-Risk) deductible (02/22/24)**

The maximum deductible per occurrence for property damage (All-Risk) insurance policies providing Specific Insurance Limits is:

RCV	Maximum Deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

**b. Expanded deductible (12/14/18)**

For existing Mortgages, if the Borrower is unable to obtain a policy that complies with the maximum deductibles required by the applicable sections of this chapter, the Servicer may approve the following expanded maximum deductibles for all property damage policies providing Specific Insurance Limits (other than NFIP, windstorm and earthquake insurance) if all of the conditions below have been met.

Expanded Deductibles	
RCV	Maximum Deductible
< \$10 million	\$100,000
≥ \$10 million	\$150,000



- The Borrower is unable to obtain deductibles for the applicable property damage insurance in compliance with the other applicable sections of this chapter
- The Borrower or Borrower Principal demonstrates liquid assets at least four times the deductible amount
- The Mortgage has a Risk Rating of six or less
- The Mortgage is not currently delinquent and has not been delinquent within the last 12 months
- The Property is in average or better condition according to the most recent inspection

The waiver of the maximum deductible is only valid for one policy term. At the end of that period, if the Borrower has been unable to obtain deductibles in compliance with the other applicable sections of this chapter, the Servicer may permit renewal of the waiver of the maximum deductibles in compliance with this sub-section.

#### **c. Blanket All-Risk Insurance Limits (06/27/19)**

For policies providing property damage (All-Risk) insurance coverage using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property. In evaluating whether the Blanket All-Risk Limits provide adequate coverage for concentrations of insurable value, the Seller Servicer must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

The blanket “All-Risk” limit must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.

#### **d. Deductible for All-Risk Blanket Insurance Limit (04/30/19)**

The maximum per occurrence deductibles when All-Risk coverage is provided by a Blanket Insurance Limit is one percent per unit of insurance to a maximum of \$250,000.

### **31.6 Business Income/Rental Value Insurance (07/01/14)**

Business Income/Rental Value Insurance is required for all applicable property damage perils within the scope of the “Causes of Loss – Special Form” or “All Risk” policy, including windstorm, flood, earthquake and terrorism, regardless of whether the coverage is provided on an All-Risk or separate policy.

The Business Income/Rental Value Insurance must be sufficient to cover the minimum number of months of effective gross income (EGI) based on underwritten EGI or the most recent year-end financials, and the minimum extended period of indemnity in accordance with the following:

Mortgage unpaid principal balance (UPB)	Minimum number of months EGI	Minimum extended period of indemnity
\$50 million or less	12 months	None required
Greater than \$50 million	18 months	90 days

When considering Business Income/Rental Value Insurance for Cooperative Properties, the calculation of the EGI required must include routine maintenance fees and special assessments for the Property.

Business Income/Rental Value coverage may be provided on an Actual Loss Sustained (ALS) basis (i.e., coverage pays only for the insured’s actual loss of income, up to the overall limit of the policy), provided that any limit associated with the ALS coverage is not less than the equivalent value of the minimum number of months EGI required.

The waiting period (also known as the deductible) for this coverage may not exceed seven days.

**31.7    Windstorm insurance (02/22/24)**

Windstorm insurance refers to coverage for damages caused by high winds, hail, tornados, and hurricane-force winds (“Named Storm”). If coverage for windstorm and/or windstorm related perils and/or Named Storms is excluded from the primary property insurance policy, separate windstorm coverage must be obtained, either through an endorsement or a separate policy.

**a.    Wind/hail coverage (04/30/19)**

Wind/hail coverage must meet the requirements identified in Sections 31.5 and 31.6, with the exception of deductibles.

**b.    Wind/hail deductibles (02/22/24)**

The maximum per-occurrence deductible when wind/hail coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance
- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

The maximum per-occurrence deductible when wind/hail coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance
- When expressed as a dollar amount, \$250,000

**c. Named Storm coverage (04/30/19)**

For all properties located in Tier 1 Windstorm Risk counties, as defined by the insurer, Named Storm coverage must meet the requirements in Sections 31.5 and 31.6, with the exception of deductibles.

If Named Storm coverage is provided as part of a Blanket Insurance Limit, the Seller/Service must determine, to its satisfaction, that the blanket Named Storm limits are adequate for the Property and any concentrations of insurable value associated with other properties covered.

The Blanket Insurance Limit for Named Storm may not be less than the greater of the following:

- The largest individual TIV of properties covered by the Blanket Insurance Limit, or
- 40 percent of the aggregate TIV within any State covered by the Blanket Insurance Limit (e.g., if the Blanket Insurance Limit covers properties in both Florida and Texas, then for Florida, 40 percent of the aggregate TIV of all properties within Tier 1 Windstorm Risk counties in Florida covered by the policy; for Texas, 40 percent of aggregate TIV of all properties in Texas covered by the policy that are located in Tier 1 Windstorm Risk counties in Texas).

**d. Named Storm deductibles (02/22/24)**

The maximum per-occurrence deductible when Named Storm coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

The maximum per-occurrence deductible when Named Storm coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount, \$250,000.

**e. Windstorm insurance through a State Windpool (12/14/18)**

If windstorm coverage is only available from a State Windpool, the policy must meet the requirements in 1, 2, or 3 below:

1. If the policy issued by the State Windpool does not contain a Coinsurance Clause, the policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation.
2. If the policy issued by the State Windpool contains a Coinsurance Clause that is offset or suspended by an Agreed Amount provision:
  - The policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation, and
  - The Agreed Amount must equal the estimated RCV.
3. If the policy issued by the State Windpool contains a Coinsurance Clause that is not offset or suspended by an Agreed Amount provision, then all of following are required:
  - The policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation.
  - The RCV estimate must meet the requirements of the Guide.
  - The Servicer must document in the Mortgage File that there is a RCV estimate dated within 12 months of the request for Coinsurance.
  - The policy must contain a Coinsurance Clause less than or equal to 80 percent.

In addition, the guarantor must sign an additional guaranty for any losses incurred by Freddie Mac associated with the Borrower's failure to maintain the required Windstorm Coverage.

If the Business Income/Rental Value Insurance required in Section 31.6 is not included in the State Windpool insurance policy, the Borrower must obtain separate Business Income/Rental Value Insurance relevant to Windstorm Coverage.

**31.8 Flood insurance (02/27/25)**

Flood insurance is required for any building that is part of the Property that is fully or partially located in a SFHA Zone A or V, as defined by FEMA.

Specific coverage requirements are identified below; however, the Seller/Servicer must ensure the coverage meets the minimum mandatory purchase requirements identified in the following Federal flood insurance statutes, as well as any applicable Federal agency rulemaking and publication:

- National Flood Insurance Act of 1968 (1968 Act)
- Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert Waters)



- Flood Disaster Protection Act of 1973 (FDPA)
- Homeowner Flood Insurance Affordability Act of 2014

Freddie Mac may require flood insurance for buildings located outside of a SFHA Zone A or V, if it determines that flood insurance is warranted, such as for buildings with a history of prior flooding or subject to risk of storm surge flooding.

**a. Flood zone determination (02/27/25)**

Seller/Serviceirs must determine whether any buildings located at the Property are or will be fully or partially located in a SFHA, using the [FEMA Standard Flood Hazard Determination Form \(SFHDF\)](#). Seller/Serviceirs must ensure that all structures at the Property will be evaluated when ordering the SFHDF. In addition to the Property address listed in the Collateral Description of the SFHDF, Seller/Serviceirs must provide to the vendor supplemental information such as the Property's legal description or parcel descriptions. The resulting SFHDF and any subsequent versions, must be effective for the life of the related loan. A copy of the SFHDF along with a signed copy of the Notice to the Borrower of Special Flood Hazard and Federal Assistance must be included in the Mortgage File.

Any Property that has buildings located in a SFHA but is located in a community that does not participate in the National Flood Insurance Program (NFIP), is not eligible for sale to Freddie Mac, regardless of whether private flood insurance is available.

**b. Flood coverage requirements (02/27/25)**

For each building that is fully or partially located in a SFHA, Freddie Mac requires flood insurance equal to at least the following:

- The RCV of the first two floors of the building above grade, plus
- The RCV of any floors below grade, plus
- 12 months of business income/rental value associated with the building, and
- The insurable value of Borrower-owned contents or business personal property within the building.

The above coverage requirements can be met by obtaining flood insurance from private flood insurers or from insurers providing policies under the NFIP, or any combination thereof. Policies issued by private flood insurers must meet the minimum requirements for Acceptable Insurers identified in Section 31.3. Policies issued by insurers participating in the NFIP, as well as those insurers authorized to participate in the NFIP's Write Your Own program, are acceptable.

Contents or business personal property generally includes equipment and inventory owned by the Borrower which are used in connection with the ownership, management or operation of the Property that do not otherwise constitute fixtures. Seller/Serviceirs are responsible for having a process in place to obtain inventory and the insurable value of Borrower-owned contents or business personal property within buildings located in SFHAs in order to determine the required coverage. Seller/Serviceirs must provide documentation of the

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presence or absence of borrower-owned contents or business personal property within the building in the Mortgage file. Seller/Servicers must also provide a summary of the estimated building and business income/rental value coverage amounts required for each building located in a SFHA as an attachment within the ICT record.

Private flood insurance policies must:

- Be written on a RCV basis without any deduction for depreciation,
- Provide coverage and terms at least as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP private flood insurance policies, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount provision. If an Agreed Amount provision is used, the Agreed Amount must be no less than the estimated RCV.

When an NFIP policy is used, the Seller/Servicer must consider the extent of recovery allowed under the NFIP policy for the type of building being insured in order to avoid creating a situation in which a Borrower would pay for more coverage than a NFIP policy would pay out in the event of a loss.

Freddie Mac does not require flood insurance for low-value, non-residential structures located in a SFHA that meet the exemption provisions of HFIAA. Such structures include maintenance buildings, storage sheds, pool houses, carports, laundry buildings, and gatehouses.

#### **c. Flood coverage provided by Blanket Insurance Limit (12/14/18)**

Blanket Insurance Limits providing private flood insurance for multiple properties are acceptable. The Seller/Servicer must evaluate concentrations of insurable value associated with properties covered by a Blanket Insurance Limit for flood resulting from adjacent properties and properties within the same MSA of the Property. The Blanket Insurance Limit providing flood coverage must be no less than the greater of the following:

- The largest individual amount of flood insurance that would be required under the terms of the Guide for any property with buildings located in an SFHA within the Property's MSA covered by the Blanket Insurance Limit for flood coverage, or
- 40 percent of the aggregate amount of flood insurance that would be required under the terms of the Guide for properties with buildings located in an SFHA within the Property's MSA that are covered by the Blanket Insurance Limit for flood coverage.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's portfolio of flood risk covered by the Blanket Insurance flood limits. In order to evaluate the Blanket Insurance Limit for flood coverage required above, the Seller/Servicer should consider the following information from the Borrower related to buildings within the Property's MSA that are located in SFHAs:

- Property location (address)



- Number of stories
- Building type (Residential, Other Residential, Non-Residential)
- Building RCV
- Building Business Income/Rental Value (BI/RV)
- Borrower-owned business personal property value
- NFIP limits in place
- Other coverage limits (excess flood) in place

The Seller Servicer may also need the following information to estimate values required for evaluation of the Blanket Insurance Limit for flood coverage:

- Total building RCV for each property
- Total BI/RV for each property
- Total number of buildings at each property
- Number of buildings at each property that are located in a SFHA

**d. Maximum deductible for flood insurance (12/14/18)**

The following are maximum deductibles allowed for flood insurance policies:

For first-layer building coverage:

- \$50,000 per building for a Property with 10 buildings or less located in SFHAs
- \$500,000 per occurrence for a Property with more than 10 buildings located in SFHAs

For Business Income/Rental Value coverage:

- 15 day waiting period when expressed as a time-elements deductible
- \$100,000 per occurrence when expressed as a monetary deductible

When NFIP policies are used as part of the coverage, the maximum deductible available under the NFIP for the type of building being insured is acceptable.

**e. Seller/Servicer monitoring responsibilities (05/07/07)**

The Seller/Servicer must have a process in place that allows it to:

- Identify any FEMA NFIP map changes, and
- Determine whether buildings that are part of any Property in a community affected by a map change are now located in, or are no longer located in, an SFHA as a result of the map change

**f. Evaluating the need for flood insurance coverage (12/15/22)**

**1. No change in the flood map, the Property remains in an SFHA**

If all or any of the buildings that are part of the Property were previously in an SFHA and remain in an SFHA, flood insurance must remain in force.



## 2. Change in the flood map, the Property is now in an SFHA

If all or any of the buildings that were not previously in an SFHA are now in an SFHA, Freddie Mac requires the Property to be covered by the required amount of flood insurance no later than 120 days after the effective date of the FEMA NFIP map change. Flood insurance may be obtained from NFIP and/or a private insurance company meeting Freddie Mac's requirements.

## 3. Documentation required for coverage discontinuation

Freddie Mac will not require flood insurance for buildings at a Property that are no longer in an SFHA if the Servicer receives any one of the following:

- Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire Property from the SFHA, or
- Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation, or
- Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA

The Borrower must maintain flood insurance on the insurable improvements until FEMA issues a LOMA, LOMR or LODR. Upon issuance of a LOMA, LOMR or LODR, the Borrower may request from FEMA a refund of paid flood insurance premiums through the insurance agent servicing the flood insurance policy. A copy of the LOMA, LOMR or LODR, as applicable, must be maintained in the Mortgage File.

Within 10 days of authorizing the Borrower to discontinue flood insurance coverage, the Servicer must give written notice to Freddie Mac by emailing [MF\\_Insurance\\_Compliance@FreddieMac.com](mailto:MF_Insurance_Compliance@FreddieMac.com) noting the property name, loan number, and the changes. The Servicer must also complete and submit a Summary Update record in ICT with documentation including a copy of the LODR, LOMA, or LOMR and any other applicable documentation.

## 31.9 Earthquake insurance (12/15/22)

### a. Earthquake terms used in this chapter (12/15/22)

These terms, when used in this chapter, have the following meanings:

- **Seismic Risk Assessment (SRA)**

The Seismic Risk Assessment (SRA) uses modeling techniques to assess the risk to a Property from seismic events. It takes into consideration proximity to known faults, construction type and quality, building configuration, soil condition and other factors. See Chapter 64 or Chapter 64SBL, as applicable, for Freddie Mac's requirements for an SRA.

- **Scenario Expected Loss-475 (SEL-475)**



The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. For additional details regarding the determination of the SEL-475, see Section 64.8 or Section 64SBL.8, as applicable.

For the purposes of this chapter, the term SEL-475 is used instead of the older term Probable Maximum Loss (PML).

## b. Earthquake insurance requirements (12/15/22)

In accordance with Chapter 64 or Chapter 64SBL, as applicable, Freddie Mac requires an SRA at the Borrower's expense for a Property located in an Elevated Seismic Hazard Region. For Properties where multiple building construction types are present (for example, Properties that have buildings with and without tuck-under parking), a SEL-475 estimate is required for each building construction type. If any single building has a SEL-475 greater than 20 percent, then earthquake insurance or seismic retrofit is required for that building.

### 1. Required earthquake coverage

Earthquake insurance is required per the table below:

SEL-475	Building Stability Concern*	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% & ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

\*See Section 64.9 or Section 64SBL.9, as applicable, for Freddie Mac's requirements for the evaluation of building stability.

For a Property or buildings for which Freddie Mac requires earthquake insurance, the coverage must be the greater of \$1 million or 150 percent of the difference between the projected loss for the Property or buildings using the actual SEL-475 and the projected loss of the 20 percent SEL-475.

Business Income/Rental Value Insurance and Ordinance and Law coverage is required if the earthquake insurance does not provide that coverage for earthquake damage.

### 2. Maximum deductible

The maximum deductible for earthquake insurance is as follows:

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Borrower Equity	Maximum Deductible (a reserve account is required for certain deductibles)	Reserve Account
≤ 30 percent	5 percent of coverage	Not required
≤ 30 percent	10 percent of coverage	Required for 5 percent of the coverage amount
≤ 30 percent	15 percent of coverage	Required for 10 percent of the coverage amount
> 30 percent	15 percent of coverage	Not required

### 3. Seismic risk changes subsequent to Freddie Mac's purchase of the Mortgage

The requirements of this section apply to Mortgages that have been purchased by Freddie Mac.

#### a. Updates to the National Seismic Hazard Maps

If the United States Geological Survey (USGS) updates the National Seismic Hazard Maps data on its website such that a Property previously not located in an Elevated Seismic Hazard Region subsequently has a PGA (as calculated via the USGS website) equal to or greater than 0.15g, the Seller/Servicer must, within 60 days of the USGS update

- Obtain an updated PGA calculation in accordance with Section 64.2(b) or Section 64SBL.2(b), as applicable
- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Submit the seismic risk documentation described in Section 55.2 or Section 55SBL.2, as applicable, to *Multifamily Asset Management, Asset Performance and Compliance*

The Servicer must retain all such documentation in the Mortgage File. In addition, the engineer or firm completing the SRA must send a resume or statement of qualification with the completed SRA. Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* will determine if and/or how much earthquake insurance is required.

If the USGS updates the National Seismic Hazard Maps data on its website such that a Property previously located in an Elevated Seismic Hazard Region now has a PGA less than 0.15g, and earthquake coverage was required based on the results of the previous SRA, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce that earthquake coverage.

The Seller/Servicer must document the updated PGA calculation described in Section 64.2(b) or Section 64SBL.2(b), as applicable, and submit the documentation to

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Freddie Mac via the Property Reporting System (PRS) in order to request permission from Freddie Mac to discontinue or reduce earthquake insurance.

Closure of the Loan Item Tracking entry for the PGA calculation documentation will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such evidence in the Mortgage File.

**b. After a Property undergoes seismic retrofit**

If a Property undergoes a seismic retrofit that results in a SEL-475 of less than or equal to 20 percent and addresses building stability concerns, if applicable, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce the earthquake coverage.

The Seller/Servicer must:

- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Upload the SRA documentation for the related Loan Item Tracking (LIT) entry via the Property Reporting System (PRS) and select "Send to Freddie Mac"
- Freddie Mac will review the SRA and close the Loan Item Tracking entry if the SRA confirms that the SEL -475 is less than or equal to 20 percent and there are no building stability concerns, if applicable
- Closure of the Loan Item Tracking entry for the SRA will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such documentation in the Mortgage File.

**31.10 Boiler and Machinery insurance (02/22/24)**

Boiler and Machinery insurance provides coverage for damage to the

- Central heating, ventilation and cooling system (HVAC)
- Other portions of the Property, if the damage is the result of an explosion of steam boilers, pressure vessels and/or other steam equipment

Freddie Mac requires comprehensive Boiler and Machinery insurance for a Property with a central HVAC system where steam boilers and/or other pressurized systems are in operation and are regulated by the State where the Property is located. The insurance must cover loss or damage from explosion of steam boilers, pressure vessels and/or other steam equipment now or installed at a later date.

Coverage for Boiler and Machinery insurance must be in place for the buildings housing the central HVAC system, including the RCV of the central HVAC system and must meet the

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requirements in Sections 31.5 and 31.6. If the Boiler and Machinery insurance is provided by a different insurance carrier than the primary insurance carrier providing the property damage policy, Freddie Mac recommends that both policies include a Joint Loss Agreement.

The maximum per occurrence deductible for Boiler and Machinery insurance is

- For a policy providing Specific Insurance Limits:

RCV of the Property	Maximum per occurrence deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties to a maximum deductible of \$250,000.

**31.11 Builder's Risk insurance (02/22/24)**

The term Builder's Risk insurance, when used in this chapter, means a policy that insures against loss to buildings, materials, equipment and fixtures during construction, rehabilitation, addition, significant alteration or repair. Freddie Mac requires such construction projects to be fully insured in accordance with the requirements of this Chapter 31. If insurance for such projects is not provided by the Borrower's primary property insurance policies, a separate Builder's Risk policy is required.

Coverage must be for at least 100 percent of the sum of the project contract or contracts and all materials to complete the work, as well as applicable soft costs.

Once construction is complete, Builder's Risk coverage may be discontinued.

The maximum per occurrence deductible for Builder's Risk insurance is

- For a policy providing Specific Insurance Limits:

Total Project Value	Maximum per occurrence deductible
< \$10 million	\$50,000
≥ \$10 million	\$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties, to a maximum deductible of \$250,000.

**31.12 Ordinance and Law insurance (07/01/14)**

Ordinance and Law coverage is not required for any property that is legally conforming under current building, zoning or land use laws.

Ordinance and Law coverage is required for any property that is non-conforming under current building, zoning or land use laws or ordinances unless the municipality or other governing

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authority will permit the Property to be rebuilt 100 percent to the specifications of the Property that existed at the time of the loss. The Seller/Service must provide evidence of 100 percent rebuild allowance to Freddie Mac to demonstrate the coverage is not required.

If the zoning law rebuild allowance is restricted to less than 12 months under which the reconstruction must be under permit or construction, then Ordinance and Law coverage is required.

If required, Ordinance and Law coverage must include the following:

- a. **Coverage “A” – Loss to the undamaged portion of the Property:** Coverage no less than the estimated Replacement Cost Value (RCV) of the Property; provided, however, if the damage threshold percentage of the zoning laws is known, the minimum for coverage A may be determined as follows:

Minimum for Coverage “A” =  $(RCV - (RCV \times \text{damage threshold percentage}))$

For example:

- If the RCV of the Property is \$20 million and the damage threshold percentage is 60 percent, the Coverage “A” limit must be at least \$8 million (\$20 million – (\$20 million X 60 percent) = \$8 million).
- If the damage threshold percentage is unknown, the minimum coverage must be no less than the estimated RCV of the Property, which is \$20 million in this example.

- b. **Coverage “B” – Demolition cost:** The cost to demolish and clear the site of undamaged parts of the Property if such demolition is required by enforcement of any zoning laws. Coverage “B” must equal no less than 10 percent of the estimated RCV of the Property.

- c. **Coverage “C” – Construction cost:** Increased cost of construction to allow the Borrower to rebuild the Property to meet all applicable zoning laws. Coverage “C” must equal no less than 10 percent of the estimated RCV of the Property.

Ordinance and Law Coverage must include an Increased Period of Restoration endorsement that extends business income and extra expense coverage to provide additional time to restore operations when delayed due to enforcement of building or zoning laws.

### 31.13 Terrorism insurance (06/27/19)

Terrorism insurance is required for all Mortgages, including those being refinanced, to ensure the improvements are protected against loss or damage due to acts of terrorism. If terrorism coverage is excluded from the primary property insurance policy, separate terrorism coverage must be obtained either through an endorsement or a separate policy.

- a. Terrorism coverage must meet all of the following requirements:

- Property damage insurance in an amount and with maximum deductibles in accordance with Section 31.4 and 31.5,



- Business Income/Rental Value Insurance in accordance with Section 31.6, and
- Liability insurance in accordance with Section 31.16 (not including Professional Liability Insurance).

b. Blanket Terrorism Insurance

For policies providing terrorism insurance using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits for terrorism coverage are adequate for the applicable risks. In evaluating whether the terrorism limits provide adequate coverage for concentrations of insurable value, the Seller Servicer must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

The blanket terrorism limit must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.

**31.14 Localized perils insurance (02/22/24)**

A Property located in an area prone to localized perils, such as sinkhole, mine subsidence, volcanic eruption, and avalanche, must have one or more insurance policies in place to cover these perils. Sinkholes are particularly common in Florida. Mine subsidence may occur in any location where there is, or has been, subterranean mining, but is particularly common in Pennsylvania, Ohio, Illinois and Colorado.

If this insurance is not available and the Property is at risk for one or more of these perils, the Seller/Servicer must inform, as applicable,

- The *Applicable Freddie Mac Multifamily Regional Office*,
- The *Multifamily TAH Underwriter*, or
- *Freddie Mac Multifamily Asset Management, Borrower Transactions*.

Coverage must meet the requirements in Sections 31.5 and 31.6 for the buildings affected by the localized peril.

The maximum deductible for localized perils insurance is:

- For a policy providing Specific Insurance Limits:

RCV of the Property	Maximum Deductible
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< \$10 million	\$50,000
≥ \$10 million	\$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties, to a maximum deductible of \$250,000.

### 31.15 Sewer and drain insurance (01/01/13)

If the Property is prone to periodic sewer or drain back-ups caused by ground water, public or private water systems, or public sewers external to the Property, the Seller/Service must require the Borrower to obtain sewer and drain backup insurance.

Coverage and the deductible must be consistent with the coverage obtained by other lenders in the area.

### 31.16 General liability insurance (02/27/25)

Standard Commercial General Liability (CGL) insurance on an “occurrence-based” policy form insuring against liability resulting from bodily injury, property damage, personal injury, advertising injury and contractual liability is required with no exclusions for claims related to assault and battery, molestation, sexual abuse, animal attacks, or firearms. The policy must cover all of the following on the Property:

- Buildings
- Common areas and elements
- Commercial spaces
- Public ways (roads, driveways, alleys, walks, paths, and other similar areas)
- Home Sites and any Borrower-owned structures at an MHC Property

If the Borrower changes from a “claims made” policy form to an “occurrence-based” policy form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

#### a. Required CGL and umbrella or excess coverage (12/15/20)

##### 1. Borrower must maintain primary CGL coverage for

- \$1 million per occurrence, and
- \$2 million in the general aggregate

If the CGL policy covers multiple locations, Freddie Mac requires that the general aggregate limits apply per location with no aggregate cap.



2. In addition, the Borrower must maintain, at a minimum, the following umbrella or excess liability coverage:

Aggregate number of residential units covered	Minimum umbrella or excess liability limits
Up to 250	\$1 million
251 to 500	\$2 million
501 to 1,000	\$3 million
1,001 to 2,000	\$5 million
2,001 to 5,000	\$10 million
5,001 to 10,000	\$15 million
10,001 to 20,000	\$20 million
20,001 to 35,000	\$25 million
More than 35,000	\$50 million

If the CGL layer includes an aggregate limit cap, then additional umbrella/excess liability limits above the minimum amount required must be contemplated to determine whether the liability coverage adequately addresses the casualty risk for the insured portfolio.

The minimum coverage limits in this section are to be evaluated based upon the aggregate number of residential units covered by the umbrella and/or excess liability policy, and may be satisfied with any combination of primary CGL, umbrella and/or excess.

**b. Maximum deductible and Self-Insured Retention (SIR) for liability insurance (12/15/20)**

The following maximum deductible or SIR, or combined deductible and SIR, apply to all forms of general liability insurance on the Property, including CGL, umbrella and/or excess policies:

- \$35,000 for policies with individual or combined mortgage balances less than or equal to \$25 million
- \$50,000 for policies with individual or combined mortgage balances greater than \$25 million
- \$250,000 for Blanket Insurance Limits
- \$10,000 for umbrella/excess liability policies



**c. Vehicle liability insurance (12/14/23)**

The Borrower must maintain commercial auto liability insurance for vehicles owned, hired, or used by anyone for business at the Property. The commercial auto liability insurance coverage must be at least \$1 million per accident.

**31.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (12/15/20)**

**a. Professional liability (PL) insurance requirements (12/15/20)**

If the Property has assisted living, Alzheimer's care, and/or skilled nursing units, the Borrower must obtain professional liability insurance.

The professional liability policy may be written on a "claims made" policy form or an "occurrence-based" policy form. If the Borrower changes from a "claims made" policy form to an "occurrence-based" policy form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

1. Borrower must maintain primary professional liability coverage of:

- \$1 million per occurrence
- \$2 million in the general aggregate

If the professional liability policy covers multiple locations, Freddie Mac requires that the aggregate limits apply per location with no aggregate cap.

2. In addition, the Borrower must maintain the following minimum umbrella or excess professional liability coverage:

Total number of licensed beds covered by the policy	Minimum Umbrella/Excess Coverage
Less than or equal to 100	\$1 million
101 to 500	\$5 million
501 to 1,000	\$10 million
Greater than 1,000	\$25 million

If the primary PL layer includes an aggregate limit cap, then additional umbrella/excess liability limits above the minimum amount required must be contemplated to determine whether the liability coverage adequately addresses the casualty risk for the insured portfolio.

The minimum coverage limits in this section may be satisfied with any combination of primary PL, umbrella and/or excess. If CGL and PL insurance coverages are combined, the required umbrella and/or excess liability limit is the higher of the two requirements.

**b. Additional insured (01/01/13)**

Freddie Mac may not be named as an additional insured on professional liability insurance policies.

**c. Deductibles and self-insured retention (SIR) (12/15/20)**

Freddie Mac allows the following maximum deductible or SIR, or combined deductible and SIR for Professional Liability:

- \$100,000 for policies that insure 500 or fewer licensed beds
- \$250,000 for policies that insure more than 500 licensed beds

**31.18 Cooperative (Co-op) Requirements (01/01/13)****a. Fidelity bond/crime insurance coverage (01/01/13)**

The Seller/Servicer must ensure that each Co-op Borrower maintains fidelity bond/crime insurance coverage for the Co-op's employees, officers and board members. The minimum coverage required is the greater of

- Two times the monthly gross association fees plus reserves, or six times the monthly gross association fees
- The maximum deductible is \$25,000.

**b. Co-op directors' and officers' liability insurance (01/01/13)**

The Seller/Servicer must ensure that each Co-op maintains directors' and officers' liability insurance as follows:

- Minimum coverage of \$1 million per occurrence
- Maximum deductible of \$25,000

**31.19 Insurance records for origination and Servicing (02/27/25)**

The Seller/Servicer must evaluate the Borrower's property and liability insurance coverage at loan origination and at each policy renewal throughout the term of the Mortgage to determine compliance with the Guide. Seller/Servicers and their vendors must use the ICT to document their assessment of the Borrower's insurance compliance and any recommended waiver requests.

**a. Documentation of Borrower insurance compliance at loan origination (02/17/22)**

Seller/Servicers must complete the [Form 1133, Certification of Borrower Insurance Compliance](#), to document the insurance coverage that is or will be in place at loan closing. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must indicate the noncompliance on the Form 1133 and submit a "New Origination Waiver Request" via the ICT for review and approval.



The Form 1133 and any waiver requests must be submitted via the ICT as follows:

- Form 1133 “Underwriting record”. Seller/Serviceirs must submit the Form 1133 “Underwriting record” with the Full Underwriting Package. This version is a draft of the insurance compliance record that Seller/Serviceirs and their vendors may update throughout the underwriting process.
- New Origination Waiver Requests. Seller/Serviceir must submit any recommended waiver requests with the Full Underwriting Package. All waiver requests must be reviewed and processed final prior to rate lock for Standard Delivery loans and prior to final Acceptance Letter or Modification Letter, as applicable, for Early Rate-Lock loans.
- Form 1133 “Delivery record”. Seller/Serviceirs must submit the Form 1133 “Delivery record” when the final insurance compliance review is complete, but no later than the Origination Date. This version is the final Seller/Serviceir record of insurance compliance.

The Form 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Form 1133 “Delivery record” is processed final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.

**b. Documentation of Borrower insurance compliance for Transfers of Ownership (02/27/25)**

Seller/Serviceirs must complete the [Seller/Serviceir Certification of Insurance Coverage Form \(Assumption Form 1133\)](#), Certification of Borrower Insurance Compliance, to document the insurance coverage that is or will be in place on the Transfer of Ownership closing date. If any element of the Borrower’s insurance coverage is not in compliance with the Guide and the Seller/Serviceir recommends a waiver, the Seller/Serviceir must indicate the noncompliance on the [Assumption 1133](#) and submit an “Assumption Waiver Request” via the ICT for review and approval.

The Assumption 1133 and any waiver requests must be submitted via the ICT as follows:

- Assumption 1133 “Underwriting record”. Seller/Serviceirs must submit the Assumption 1133 “Underwriting record”. The record should be submitted at least 10 Business Days prior to the Transfer closing date.
- Assumption Waiver Requests. Seller/Serviceir must submit any recommended waiver requests at least 10 Business Days prior to the Transfer closing date.
- Assumption 1133 “Delivery record”. Seller/Serviceirs must submit the Assumption 1133 “Delivery record” when the final insurance compliance review is complete, and any Assumption Waivers have been finalized but no later than the Transfer closing date. This version is the final Seller/Serviceir record of insurance compliance.
- Records are to be submitted with MF Borrower Transactions selected as FM Underwriter.





The Assumption 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Assumption 1133 “Delivery record” is processed as final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached evidence of insurance, supporting documents, and public notes is automatically transferred to the Freddie Mac loan file in DMS.

**c. Post-purchase reporting of Borrower insurance compliance (12/14/23)**

For all Mortgages serviced by Seller/Serviceirs on behalf of Freddie Mac, Seller/Serviceirs must evaluate the Borrower’s insurance coverage as policies renew and provide updates to insurance records in ICT as set forth below.

- **Update Summary Function.** The Seller/Serviceir must complete the Update Summary form to identify renewed or changed insurance coverage details, attach updated Evidence of Insurance and other supporting documentation, and submit the “Update Summary.” Once the update has been submitted, a PDF image of the form, along with any attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.
- **Renewal Waivers.** If any element of the Borrower’s insurance coverage is not in compliance with the Guide and the Seller/Serviceir recommends a waiver, the Seller/Serviceir must submit a Renewal Waiver request in ICT for review and approval.

For Mortgages that have been securitized, Seller/Serviceirs are to evaluate coverage as policies renew and follow the processes established by the Master Serviceir for updating coverage information and recommending waivers. Seller/Serviceirs are to use the ICT for processing updated records for loans for which Freddie Mac is Master Serviceir.

**31.20 Evidence of insurance (12/15/22)**

The Seller/Serviceir must obtain temporary or permanent evidence of Borrower’s required property and liability insurance for the closing of new loans and for each renewal. This is applicable to all required insurance policies associated with the Property. After Freddie Mac loan purchase and after each insurance renewal, the Seller/Serviceir must require the Borrower to provide copies of insurance policies in accordance with the Loan Agreement. The Seller/Serviceir must maintain copies of all required evidence of insurance in its loan file.

**a. Temporary evidence of insurance (12/15/22)**

The following are acceptable forms of temporary evidence of property insurance:

- ACORD 28, Evidence of Commercial Property Insurance (most recent version)
- ACORD 27, Evidence of Property Insurance (most recent version)
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- ACORD 75, Insurance Binder
- Declaration pages from Property insurance policy



- Property insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender
- For NFIP flood insurance, NFIP policy declaration page or completed and executed NFIP Flood Insurance Application plus a copy of the paid receipt for the Borrower's premium payment
- For private flood insurance, policy declaration page, copy of flood insurance policy including all endorsements and exclusions, copy of policy binder, or copy of quote of flood insurance that will be in place

The following are acceptable forms of temporary evidence of liability insurance:

- ACORD 25, Certificate of Liability Insurance (most recent version)
- ACORD 75, Insurance Binder
- Liability insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender

#### **b. Permanent evidence of insurance (12/15/22)**

The following are acceptable forms of permanent evidence of property and liability insurance:

- Copy of the insurance policy(ies), including all endorsements and exclusions
- For insurance programs using layered insurance policies, copy of the primary insurance policy(ies), including all endorsements and exclusions
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- For NFIP flood insurance, NFIP policy declaration page
- For private flood insurance, copy of the flood insurance policy(ies)

### **31.21 General requirements applicable to all property and liability insurance documentation (12/17/19)**

The Seller/Servicer must ensure that all of the following elements are included in the evidence of insurance documentation:

- Borrower, Borrower Principal, or affiliated management company as Named Insured



- Complete Property address
- Mortgagee and Additional Insured endorsements
- Policy effective dates evidencing current coverage
- Policy notice of cancellation provisions
- Coverage limits, sublimits, and deductibles
- Information clearly stating whether terrorism coverage is included
- If flood insurance is required, information indicating limits and deductibles specifically applicable to buildings located in SFHA

### **31.22 Verification of required and continuing property and liability insurance coverage (12/17/19)**

#### **a. Required coverage (04/30/19)**

The Servicer must ensure that all insurance coverage required by the Purchase and Servicing Documents is in place for the life of the Mortgage. This may include:

- Adding coverage that is not currently in place (for example, FEMA has determined the Property is now in an SFHA and flood insurance is now required), and/or
- Increasing the coverage (for example, the RCV of the improvements on the Property has increased and the insurance coverage must be updated).

In addition, if there is insurance coverage in force on the Property that is no longer required by Freddie Mac (for example, FEMA has determined the Property is no longer in an SFHA and flood insurance is not required) the Servicer must provide the appropriate documentation to notify Freddie Mac *Multifamily Asset Management, Borrower Transactions* and explain that the insurance is no longer required.

#### **b. Continuing coverage (12/17/19)**

At least annually, and prior to the expiration of each required insurance policy, the Servicer must verify that the Borrower will renew the existing coverage and/or obtain new insurance coverage in compliance with the Purchase and Servicing Documents. The Servicer must retain in the Mortgage File a copy of the applicable renewal and/or new insurance documentation.

The Servicer must require the Borrower to provide evidence of renewed insurance prior to the expiration date of each policy. The documentation required by Freddie Mac at renewal is as follows:

- A legible copy of the current continuation certificate, provided that the Servicer has the original policy on file and the coverage is renewed with the same insurer and under the



same policy number(s), coverage terms and conditions

- The documents listed in Sections 31.20(a) and 31.20(b), as applicable

### **31.23 Reserved (12/14/18)**

### **31.24 Ensuring continuous insurance coverage (04/30/19)**

#### **a. General requirements for ensuring continuous insurance coverage (01/01/13)**

If the Seller/Servicer determines that a Property's insurance has lapsed, is cancelled, is inadequate, or is not in force for any reason, the Seller/Servicer must prevent a gap in insurance by one or more of the following means:

- Contacting the Borrower and working with the Borrower to resolve the deficiency
- Having in place or obtaining a portfolio insurance policy and/or other insurance vehicle or vehicles designed to provide required coverage if one or more policies lapses, is cancelled, is inadequate or is not in force
- Implementing forced placed insurance

Any insurance policy intended to prevent a gap in insurance coverage, or to supplement inadequate coverage, must:

- Provide retroactive and/or automatic coverage
- Cover the Mortgages serviced for Freddie Mac
- Include deductibles no greater than those required by the Purchase and Servicing Documents
- Provide all property damage and liability insurance required by the Purchase and Servicing Documents
- Be provided by an insurance carrier meeting the requirements of Section 31.3, based on the total unpaid principal balance (UPB) of the Mortgages insured under the policy by the Seller/Servicer

#### **b. Forced placed insurance (04/30/19)**

Under certain circumstances, Freddie Mac requires the use of forced placed insurance to prevent a lapse in insurance coverage. If the required forced placed insurance is not available, the Seller/Servicer must contact Freddie Mac *Multifamily Asset Management, Borrower Transactions*.

1. If one or more of the following conditions exists, the Seller/Servicer must force place insurance:



- The required insurance has not yet lapsed or been cancelled, but will lapse within three days (or over an intervening weekend or holiday), and
    - The Servicer determines that the renewal of the existing insurance or new insurance is not forthcoming, or
    - The Servicer has not been able to determine that the renewal of the existing insurance or new insurance is forthcoming
  - Any insurance obtained by the Servicer to prevent a lapse in coverage is no longer in force or will no longer be in force within three days (or over an intervening weekend or holiday)
2. If both of the following conditions exist, the Seller/Servicer must contact the Borrower within two days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
- The insurance currently in force provides less than 80 percent of the required coverage (see Note below)
  - A lapse in coverage is not imminent

If the issue is not resolved with 15 days, the Servicer must either:

- Force place insurance to the limits required in Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage from Freddie Mac or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

**Note:** The percentage of coverage refers to the actual dollar amount of insurance coverage in force for a Property and not the deductible amounts. For example, if a Property has property damage insurance of \$7 million, but the RCV is \$10 million, the coverage is 70 percent of the required coverage.

3. If one or more of the following conditions exist, the Seller/Servicer must contact the Borrower within five days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
- The insurance coverage currently in force is greater than 80 percent, but less than 100 percent, of the required coverage (see Note above)
  - Deductible amounts do not comply with the requirements
  - Any other failure of the insurance policy to be comply with the requirements of the Purchase and Servicing Documents



If the issue is not resolved with 30 days, the Servicer must either:

- Force place insurance to the limits required in the Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. Freddie Mac *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

**c. Notice to Freddie Mac of forced placed insurance (04/30/19)**

If coverage is forced placed as described in 31.24(b), the Servicer must immediately send written notification to Freddie Mac *Multifamily Asset Management, Borrower Transactions* detailing the insurance issues, the forced placed coverage and the deductibles. The Servicer must retain in the Mortgage File a copy of the written notification regarding forced placed insurance.

**d. Payment for forced placed insurance (04/30/19)**

The Servicer must adjust the Borrower's insurance Reserve payments for the forced placed insurance if the Borrower is required to make periodic Reserve deposits for insurance premiums or bill the Borrower to recover the advance (if the Servicer does not maintain an insurance Reserve for the Borrower). If an insurance Reserve account is not currently required, Freddie Mac may require the Servicer to set up a Reserve. If the Borrower refuses to reimburse the Servicer for the forced placed insurance, the Servicer must submit a completed [Legal Referral Form, Form 1101](#), to the Director of Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*. Freddie Mac will reimburse the Servicer for any advances that the Servicer has made for premiums for such forced placed insurance to the same extent that Freddie Mac would reimburse the Servicer for advances to pay required insurance premiums.

**31.25 Indemnification (07/01/11)**

Pursuant to Chapter 47, Freddie Mac may require the Seller/Servicer to indemnify Freddie Mac for any loss, damage or expense it may incur as a result of the Seller/Servicer's failure to:

- Obtain and maintain all insurance required by this chapter, or
- Ensure that each Property is adequately insured as required in this chapter

**31.26 Reserved (06/30/16)**



### 31.27 Captive insurance companies (04/30/19)

For information regarding the use of captive insurance companies, contact the following:

- Prior to the Origination Date: the *Applicable Regional Office* or the *Multifamily TAH Underwriter*, as applicable
- After the Freddie Mac Funding Date: *Freddie Mac Multifamily Asset Management, Borrower Transactions*

### 31.28 Manufactured Housing Communities (07/01/14)

All MHC Properties must meet the requirements of this Chapter 31.

Generally, any improvements owned by the Borrower must be insured against loss or damage from relevant perils including fire, wind, hail, flood, and other related perils within the scope of a "Special Causes of Loss" or "All Risk" policy, in an amount not less than the RCV of the improvements, per Section 31.4. In addition, the Borrower must carry business income/rental value insurance for all relevant perils in an amount not less than the effective gross income attributable to the Property per Section 31.6.

Properties located partially or fully in a FEMA SFHA must meet the insurance requirements in Section 31.8, especially with regard to full business income/rental value relevant to flood losses.

The Borrower must carry Commercial General Liability (CGL) insurance against legal liability resulting from personal and bodily injury, property damage, and contractual liability, per Section 31.16.



# Multifamily Seller/Servicer Guide

## Chapter 32

### Final Delivery Requirements



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## 32.1 General final delivery requirements (08/17/23)

### a. Forms (09/01/16)

All of the Loan Documents, Final Delivery Tables of Contents, and Final Delivery Instructions referenced in this chapter are available at [mf.freddiemac.com/lenders/purchase](https://mf.freddiemac.com/lenders/purchase).

Final Delivery Table of Contents refers to either of the following, as applicable:

- Final Delivery Package Immediate Cash Loan and TAH Unfunded Forward Cash at Conversion Table of Contents
- Final Delivery Package Table of Contents Small Loan Purchase Product

Final Delivery Instructions refers to either of the following, as applicable:

- Final Delivery Instructions – Immediate Cash and TAH Unfunded Forward Cash at Conversion
- Final Delivery Instructions – Small Balance Loan Purchase Product

### b. Delivery of Final Delivery Package (05/05/17)

The Seller must deliver to Freddie Mac, at the Seller's expense, the Final Delivery Package. For all programs and products, the Seller must deliver the Final Delivery Package to *Multifamily Purchase*. Each delivery of a Mortgage to Freddie Mac must comply with the requirements of this chapter, the chapter for the applicable purchase program or product, and the applicable Final Delivery Instructions.

The “Final Delivery Package” consists of:

- The electronic delivery portion of the Final Delivery Package, which consists of documents delivered electronically to *Multifamily Purchase* by uploading such documents into the Document Management System (DMS). For identification of the documents comprising the electronic delivery Final Delivery Package, see the applicable Final Delivery Table of Contents. For guidance on how to deliver documents via DMS, see the document mapping in the Final Delivery Table of Contents.
- The hardcopy delivery portion of the Final Delivery Package, which consists of items delivered to *Multifamily Purchase* in their original hardcopy form. For identification of the documents comprising the hardcopy delivery portion of the Final Delivery Package, see the applicable Final Delivery Table of Contents.

Certain documents required to be included in the Final Delivery Package must be included in both the electronic delivery portion and the hardcopy delivery portion as specified in the Final Delivery Table of Contents.

Freddie Mac will accept delivery of the Note directly from the warehouse lender, and will accept electronic deliveries and hardcopy deliveries received at separate times, but Freddie Mac does not deem a Final Delivery Package to be complete until Freddie Mac has received both the electronic and the hardcopy delivery portions of such package. Note that required



electronic documents must all be uploaded to DMS before hardcopy documents arrive at Freddie Mac.

When delivering hardcopy documentation without a Final Delivery Table of Contents, a completed [Multifamily Document Transmittal Form](#), available at [mf.freddiemac.com](http://mf.freddiemac.com), must be attached. In the case of deliveries of a pool of Mortgages (more than one Mortgage from the same Borrower or related Borrowers), the Seller must coordinate all deliveries so that the electronic and hardcopy delivery portions are received on the same date.

**c. Delivery and review period; preferred funding (08/17/23)**

1. The Seller must deliver the Final Delivery Package no later than noon Eastern time on the Mandatory Delivery Date identified in the applicable Letter of Commitment or early rate-lock application.

A delivery notification email must be sent to [MF\\_Delivery\\_Notification@freddiemac.com](mailto:MF_Delivery_Notification@freddiemac.com) with the Freddie Mac Loan Number, Property Name, Counsel name and tracking number within 24 hours of expected receipt. The original documents must be delivered in a one inch red-well folder.

2. The Seller must request in writing its preferred funding date (no earlier than 10 calendar days from the date on which Freddie Mac receives the Final Delivery Package and no later than the Mandatory Funding Date) by insertion of the preferred funding date on the applicable blank on the Final Delivery Table of Contents. If the Seller fails to provide a preferred funding date, funding will occur once review is completed, but no later than the Mandatory Funding Date.
3. Freddie Mac will commence review of the Final Delivery Package upon receipt. The Seller should plan for funding on the Seller's requested preferred funding date, as long as that date is at least 10 calendar days after the date on which Freddie Mac receives the Final Delivery Package and no later than the Mandatory Funding Date.

**d. Completion of documents (09/01/16)**

**1. Identification of documents**

The Loan Document revision date must appear on each Loan Document.

**2. Completion of blanks by the Seller**

The Seller must complete each blank in a Loan Document or other form required by Freddie Mac with the information specified by Freddie Mac, with "n/a," or with a cross-reference to the applicable modification Exhibit, as applicable. If the Letter of Commitment, the early rate-lock application or the Guide does not specify how a blank is to be completed, the Seller must contact:

- The *Applicable Freddie Mac Multifamily Regional Office* for instructions, for non-SBL Mortgages
- The *Multifamily Small Balance Loan Team*, for SBL Mortgages



### 3. Required changes

The Seller must do all of the following:

- Make any changes to the Loan Documents that are:
  - Required in writing by Freddie Mac
  - Required by the applicable Mortgage purchase program or product
  - Listed in the Authorized Changes to the Multifamily Loan Documents
- Add the signature block and any required witness signature lines and/or acknowledgments, in the form required by applicable law
- Include any changes to the format of the Loan Documents (for example, paper size, fonts, spacing) that are required by applicable laws

### 4. Permitted Changes

The Seller may add a table of contents, change the pagination and/or make changes to the font, paper size and other aspects of the Loan Documents. The Seller must ensure that any such permitted changes comply with the requirements of applicable law.

### 5. Method for making changes

The Seller must make all authorized and required changes on the appropriate modification exhibit to the document, and must mark the applicable box on the document to indicate such an exhibit is attached. The Seller may not make any changes to the Loan Documents by altering the text of the body of the document, except that modifications may be made directly to the text of the body of Riders to Loan Documents so long as such modifications are clearly identified by intentionally showing stricken-through (deleted) text and underlined (new) text.

#### e. Forms for assignments and Note endorsement (08/17/23)

Freddie Mac requires that the Seller assign to Freddie Mac certain documents in addition to the Security Instrument (for example, the Loan Agreement and the Guaranty) and endorse the Note to Freddie Mac.

#### 1. Omnibus Assignment

Freddie Mac requires the Seller to use the Freddie Mac Omnibus Assignment for all documents required to be assigned to Freddie Mac under the Guide, the Letter of Commitment, or the early rate-lock application (other than recorded documents and the Note).

#### 2. Note Endorsement

- The Note must bear an endorsement to Freddie Mac in the following form:

PAY TO THE ORDER OF THE FEDERAL HOME LOAN MORTGAGE  
CORPORATION WITHOUT RECOURSE



(Name of Seller-endorser)  
(Signature of duly authorized officer)  
(Typed name and title of signatory)

- Do not date the Note endorsement. The Note endorsement may appear on an allonge to the Note if the Freddie Mac loan number appears on the allonge and the allonge is attached to the Note.
- To the extent provided in the Uniform Commercial Code (UCC), the Note endorsement “without recourse” may limit Seller/Service’s obligation, as endorser under the UCC, to pay amounts due under the Note upon default by Borrower but will not affect Seller/Service’s repurchase obligations under the Purchase and Servicing documents.
- Any chain of endorsements must be complete from the original lender shown on the Note to Freddie Mac.

**f. Electronic recording (09/01/16)**

The Seller must electronically submit for recording or filing all Mortgage documents required to be recorded or filed if the applicable recording office accepts electronic recordings and/or filings.

**g. Organization of the hardcopy Final Delivery Package (09/01/16)**

With respect to the hardcopy portion of a Final Delivery Package, the Seller must deliver all of the applicable documents (except the Note delivered by a warehouse lender) along with the electronic versions in the following manner:

- Deliver an accordion folder (sometimes referred to as a redwell folder) labeled with the Seller’s name, Freddie Mac loan number, property name, and identified as the Final Delivery Package, with all documents adequately secured. The Seller must fasten each multipage document with a staple (with the exception of the Note and the Loan Agreement, which must be clipped). The Seller must not insert any loose documents or use rubber bands to hold any documents together;
- Arrange the documents in the order listed in the applicable Final Delivery Table of Contents, with the first listed item on top, the second item below it and so on; and
- Include the applicable Final Delivery Table of Contents, which identifies the titles of the documents included, and tabs to mark each item. If a document listed in the Final Delivery Table of Contents is not applicable, “N/A” must be noted on the Final Delivery Table of Contents. No such corresponding blank documents may be delivered or uploaded as part of the electronic delivery package.

**h. Freddie Mac’s review not a waiver (05/01/14)**

Freddie Mac’s review of submitted documents will not discharge or limit the Seller’s liability for breach of any warranties made under the Purchase and Servicing Documents. Further, the fact that Freddie Mac has prescribed a form for a particular document does not relieve the Seller of its obligation to ensure that all documents comply with and are enforceable



under applicable law. If the Seller doubts such compliance or enforceability with respect to a particular document, an attorney who represents the Seller must contact the applicable Freddie Mac *Multifamily Attorney* for instructions.

**i. Review of Mortgage prior to purchase (05/01/14)**

Before the Freddie Mac Funding Date, Freddie Mac may, in its discretion, refuse to purchase any Mortgage if it determines any of the following:

- The Mortgage is not of investment quality
- The Seller has failed to satisfy or has breached any of the provisions of the Purchase and Servicing Documents
- Any of the Seller's warranties or representations to Freddie Mac are untrue
- Any information provided by or on behalf of the Borrower is untrue, incomplete or misleading

If Freddie Mac declines to purchase a Mortgage for any of the reasons set forth above, it will retain any application fees paid to it and will treat the situation as a non-delivery of the Mortgage.

**j. Funding (09/01/16)**

After Final Delivery, Freddie Mac will review the Final Delivery Package and set the Freddie Mac Funding Date as the date requested by the Seller on the Final Delivery Table of Contents, subject to the limitations set forth in Section 32.1(c)(3). Freddie Mac will make payment on the requested date provided the conditions set forth in the Letter of Commitment or early rate-lock application, as applicable, and the applicable product chapters, and the Final Delivery Instructions, have been satisfied.

**k. Late delivery; nondelivery (08/18/22)**

For non-SBL Mortgages, late delivery and nondelivery provisions are found in the following sections:

- Sections 27.24(a), 27.24(c) and 27.26, for Mortgages delivered under the standard delivery option
- Sections 27.24 and 27.26, for Mortgages delivered under the early rate lock delivery option
- Section 19A.17, for Mortgages delivered under a Forward Commitment

For SBL Mortgages, late delivery and nondelivery provisions are found in Chapter 18SBL.

*Multifamily Purchase* may, in its discretion, assess a late fee for Final Delivery Packages received after the Mandatory Delivery Date. The late fee will be calculated by *Multifamily Purchase* as a per diem, using the interest rate set forth in the Note.



## 32.2 Warehouse Mortgage delivery (05/05/17)

For Mortgages that are subject to a security interest of a warehouse lender, the Final Delivery Package must include a properly completed, dated and executed [Form 987M, Wire Transfer Authorization – Cash Warehouse Delivery](#), attached to a properly completed and executed [Form 996M, Warehouse Lender Release of Security Interest](#), as required by Chapter 33. When delivering hardcopy documentation without a Final Delivery Table of Contents, a completed [Multifamily Document Transmittal Form](#), available at [mf.freddiemac.com](http://mf.freddiemac.com), must be attached.

## 32.3 Use of counsel; documents for final delivery; settlement statements (10/17/24)

Unless indicated otherwise in the applicable section or subsection, references in this chapter to “Mortgage” refer to non-SBL Mortgages, SBL Mortgages and TELs, and references to “counsel” refer to Seller/Service’s counsel for non-SBL Mortgages and Single Counsel for SBL Mortgages and TELs.

By its delivery of the Final Delivery Package to Freddie Mac, the Seller/Service will be deemed to represent and warrant to Freddie Mac that it has complied with the requirements of this section.

### a. Use of counsel (08/15/24)

1. For each non-SBL Mortgage submitted to Freddie Mac for purchase, an attorney who represents the Seller and who has the qualifications and experience required by Section 6.2 must:
  - Perform the tasks required by Chapter 6 and this chapter
  - Prepare and/or review all legal documents
2. For each SBL Mortgage or TEL submitted to Freddie Mac for purchase, Single Counsel who represents the Seller and Freddie Mac must:
  - For each SBL Mortgage, perform the tasks required by Chapter 6SBL and this chapter
  - For each TEL, perform the tasks required by Chapter 25 or 25A, as applicable, and this chapter
  - Prepare and/or review all legal documents

### b. Loan Documents (08/15/24)

1. The Seller must originate the Mortgage using the form documents listed in the applicable Currently Acceptable Multifamily Loan Documents accessed at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal). Each form used must have been listed on [mf.freddiemac.com](http://mf.freddiemac.com) during the period between the date the Letter of Commitment is issued (or the early rate-lock application is submitted by the Seller) and the Origination Date, unless otherwise approved in writing by Freddie Mac.
2. A Seller may:





- Provide its counsel with the appropriate Loan Documents that the Seller has obtained directly from [mf.freddiemac.com](http://mf.freddiemac.com), or
- Instruct its counsel to obtain the appropriate Loan Document directly from [mf.freddiemac.com](http://mf.freddiemac.com).

Regardless of the method used by the Seller's counsel to obtain the Loan Documents, the Seller will be responsible for making the absolute warranty set forth in Section 5.2(c).

**c. Settlement statements (10/17/24)**

1. **Inclusion in Final Delivery Package; Execution.** The Final Delivery Package for the Borrower must include a copy of the final settlement statement for the Borrower.
  - The settlement statement must include the full legal name of the Borrower
  - The settlement statement must have been executed by the Borrower.
  - The settlement statement(s) must also be executed by the Title Company or be printed on the Title Company's letterhead.
  - The Seller/Servicer and its counsel must review the settlement statement to verify the information required in subsection c.2. below.
2. **Content.** There is no specific form for the final settlement statement; however, it must clearly include the information set forth below.
  - A. **Acquisitions.** If the Mortgage transaction is an acquisition as referenced in the Letter of Commitment, the settlement statement must include the following:
    - (i) For non-SBL Mortgages, the acquisition price actually paid by the Borrower for the Property, including:
      - the proceeds due to the seller of the Property after all adjustments,
      - the full legal name of the seller of the Property,
      - any credits to the Borrower against the contractual purchase price, and
      - any items which the Seller/Servicer has received Freddie Mac's prior approval in determining the acquisition price
    - (ii) For SBL Mortgages, the Required Actual Cash Purchase Price as defined in the Letter of Commitment, including:
      - the proceeds due to the seller of the Property after all adjustments,
      - the full legal name of the seller of the Property,
      - any credits to the Borrower against the contractual purchase price,



- and any items which the Seller/Servicer has received Freddie Mac's prior approval to include in determining the Required Actual Cash Purchase Price

(iii) For all Mortgages:

- The Borrower's closing costs and cash contribution after closing costs (see also Section 10.18 for total acquisition costs, permitted closing costs and allocations for intangibles)
- As provided in Sections 29.1 and 29SBL.1, the settlement statement(s) must be delivered to the Seller/Servicer or the Seller/Servicer's counsel directly by the Title Insurance Underwriter.

B. Refinances. If a Mortgage is a refinance, the settlement statement must include the following:

- The existing loan payoff amount
- The Borrower's closing costs (for refinance Mortgages in which the Property was acquired within the 12 months prior to Mortgage origination, see also Section 10.18 for total acquisition costs, permitted closing costs and allocations for intangibles)
- The Borrower's cash out after closing costs
- If a cash-in refinance, the Borrower's cash contribution after closing costs

C. All Mortgages. For both acquisition and refinance Mortgages, the settlement statement must also include the calculation of up-front escrow deposits, Reserves, and other cash collateral that matches the requirements of the Letter of Commitment or early rate lock application, and the list of all escrows held. In lieu of setting forth a detailed listing of the Seller/Servicer's Reserves and expenses directly in the main body of the settlement statement, such detail may be set forth as an exhibit to the settlement statement, provided such exhibit is expressly referenced in the main body of the settlement statement for the Borrower.

**d. Seller's Certification of Outstanding Items (08/15/24)**

All items required to be reviewed and approved by Freddie Mac prior to loan origination or prior to loan purchase as noted in the Letter of Commitment must be listed in the Seller's Certification of Outstanding Items, and to the extent approval from Freddie Mac has not been received by Seller for any such items at the time the Certification is executed, Seller must identify such items on the Certification.

**e. Written notices (08/15/24)**

Copies of all written notices that Seller/Servicer's legal counsel has determined must be and/or are generally advisable to be provided to third parties under any documents,

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instruments or agreement, recorded or unrecorded, affecting the Property in connection with the origination of the Mortgage and/or the subsequent assignment of the Mortgage to Freddie Mac, must be included with the Final Delivery Package. This includes for the purpose of entitling the Seller and/or Freddie Mac, each in its capacity as a mortgagee of the Property, to any legal rights under such documents, instruments or agreements.

#### **32.4 Specific final delivery requirements (08/17/23)**

In addition to the general requirements set forth in this chapter, more specific delivery requirements are set forth in the Final Delivery Instructions and the Letter of Commitment.

#### **32.5 Delivery of Initial Delivery Packages for Forward Commitments for non-SBL Mortgages (09/01/16)**

For all Forward Commitment products, the Seller must submit the Initial Delivery Package to *Multifamily Purchase* in accordance with the Final Delivery Instructions – Forward Commitment Initial Delivery. Final Delivery Packages for all Forward Commitment products must be submitted in accordance with the Final Delivery Instructions – Cash and Bonds.

#### **32.6 Reserved (05/01/14)**

#### **32.7 Reserved**

#### **32.8 Reserved**

#### **32.9 Reserved**

#### **32.10 Reserved**

#### **32.11 Preparing for purchase (09/01/16)**

##### **a. File identification prior to funding (05/01/14)**

When a Seller delivers a Mortgage to Freddie Mac for purchase, the Seller must note on the Loan Documents and accounting records retained in the Seller's file that Freddie Mac may purchase the Mortgage. Because Freddie Mac may reject a Mortgage before purchase, the Seller must not transfer the Mortgage to a Freddie Mac portfolio designation until Freddie Mac has purchased the Mortgage.

##### **b. Updated verification of the UPB (09/01/16)**

When Freddie Mac advises the Seller that it will purchase the Mortgage, the Seller must confirm the current UPB via email to *Multifamily Purchase*.

##### **c. Purchase price (05/01/14)**

Freddie Mac determines its purchase price for a Mortgage based on the UPB set forth in the Seller's email verification of the UPB plus the purchase interest (the interest due from the first day of the month in which Freddie Mac will purchase the Mortgage until the day prior to the

settlement date minus the Servicing Spread) plus or minus any applicable discount or premium.

### 32.12 Wire transfer instructions (04/18/24)

Before instructing Freddie Mac to make a wire transfer to an account, a Seller must ensure that the account is eligible to receive direct wire transfers. The Seller must submit to Freddie Mac *Multifamily Cash Management* the documentation required by Section 32.12(a) and 32.12(b). Settlements cannot be made if such documentation is not on file with Freddie Mac and in compliance with Sections 32.12(a) and 32.12(b).

#### a. Authorization documentation (02/16/23)

<p>The Seller must identify the individuals authorized to provide wire transfer instructions to Freddie Mac on behalf of the Seller (the “authorized individuals”) by submitting the applicable “authorization documentation” (below) to Freddie Mac <i>Multifamily Counterparty Risk &amp; Compliance</i>.</p>		
Authorization Documentation		
For a corporation submit a completed:	For a sole proprietorship or a partnership submit a completed:	For a limited liability corporation submit a completed:
Certificate of Corporate Secretary (Freddie Mac <a href="#">Form 989M</a> ) with Board resolution attached to Form 989M as Exhibit A	Certificate of Authorized Representative (Freddie Mac <a href="#">Form 988M</a> ) with resolutions from the governing body that is empowered to legally bind the Seller attached to Form 988M as Exhibit A, if applicable.	Certificate of Limited Liability Company Secretary/Authorized Representative (Freddie Mac <a href="#">Form 990M</a> ) with resolutions from the managers/members who are empowered to legally bind the Seller attached to Form 990M as Exhibit A

Freddie Mac will not accept wire transfer instructions or modifications to the authorization documentation executed by anyone other than an authorized individual.

Once Freddie Mac has received the executed authorization documentation, Freddie Mac will contact one or more of the individuals authorized to provide wire transfer instructions to Freddie Mac to confirm the accuracy of the wire instructions provided to Freddie Mac via the [Form 483](#) or company letterhead, as applicable.

Freddie Mac will retain the authorization documentation on file. The Seller may contact *Multifamily Counterparty Risk & Compliance* to view the authorization documentation on file.

Freddie Mac requests that the Seller recertify its authorization documentation annually on the Multifamily Annual Certification Report ([Form 16M, Annual Eligibility Certification Report, or Form 17M, Multifamily Annual Certification Report Structured Transaction & Tax-Exempt Bond Seller/Service](#)s, as applicable) confirming that the authorization documentation on file



with Freddie Mac remains in full force and effect and that there are no changes to the individuals authorized to provide wire transfer instructions to Freddie Mac.

The Seller may not wait for a recertification request to notify Freddie Mac of any changes in its authorized individuals or wiring instructions. The Seller must notify Freddie Mac of any changes in its authorized individuals or wiring instructions within five Business Days of the change taking place. Freddie Mac *Multifamily Cash Management* will periodically contact the authorized individuals to verify the wire instructions on file. *Multifamily Cash Management* will send such validation requests via secure email.

Settlements cannot be made if Freddie Mac does not have on file a current certification or authorization documentation. The Seller can change, delete or add new authorized individuals only by submitting new authorization documentation. Freddie Mac requires five Business Days to process any such changes.

#### **b. Multifamily Wire Transfer Authorization (04/18/24)**

The Seller must submit to Freddie Mac *Multifamily Cash Management* the following forms:

- A completed [Form 483M, Wire Transfer Authorization](#), executed by an authorized individual, as defined in Section 32.12(a), to represent the Seller's legal authorization to instruct Freddie Mac to wire transfer funds to a designated bank
- A completed, current version of the IRS Form W-8 or W-9, as applicable, for the Seller and for each entity in the transaction that will receive funds directly from Freddie Mac via wire transfer (e.g., warehouse lender, Title Company, etc.)

The Seller can change or add new wire transfer instructions only by submitting a newly executed and properly authorized [Form 483M](#) and a Form W-8 or W-9, which does not need to be newly executed as long as it is the latest version of the W-8 or W-9 available from the IRS. Freddie Mac will not accept wire transfer instructions submitted in any other manner. Freddie Mac requires at least five Business Days to process such a change.

See Section 33.4 for information regarding wire transfer instructions for the purchase by Freddie Mac of Mortgages subject to the security interest of a warehouse lender.

### **32.13 Purchase/settlement procedures (09/01/16)**

#### **a. Multifamily Loan Purchase Statement (09/01/16)**

After reviewing the Final Delivery Package, and prior to the purchase funds being sent, Freddie Mac will generate and send via email to the Seller the Multifamily Loan Purchase Statement, which includes a computation of the amount to be funded to the Seller as well as a statement of the percentage of participation purchased by Freddie Mac.

#### **b. Receipt of funds (05/01/14)**

Freddie Mac will advise the Seller of the scheduled Freddie Mac Funding Date. Freddie Mac initiates each wire transfer in sufficient time for the funds to be credited to the Seller's account on the scheduled Freddie Mac Funding Date. It is the Seller's responsibility to call its bank to confirm receipt of the funds. If the funds have not been credited to the account by



the morning of the next Business Day, the Seller must contact the applicable *Multifamily Purchase Manager*.

#### **32.14 Purchase adjustments (01/13/09)**

If the Seller has any questions regarding the purchase balance before the funding of a Mortgage or purchase adjustments after the funding of a Mortgage, the Seller must contact the applicable *Multifamily Purchase Manager*.

#### **32.15 SBL collateral (09/01/16)**

For SBL Mortgages, the Seller must deliver the collateral required under Chapter 46SBL in accordance with all requirements set forth in that chapter.

# Multifamily Seller/Service Guide

## Chapter 33

### Warehousing, Secured Advances and Other Secured Lending Arrangements



- 33.1 [Overview \(04/30/13\)](#)
- 33.2 [Defined terms for purposes of this chapter \(04/30/13\)](#)
  - a. [Indebtedness \(10/07/02\)](#)
  - b. [Mortgage warehousing loan agreement \(10/07/02\)](#)
  - c. [Pledged Mortgage \(10/07/02\)](#)
  - d. [Purchase proceeds \(10/07/02\)](#)
  - e. [Warehouse lender \(04/30/13\)](#)
- 33.3 [Delivery of pledged Mortgages and acceptance as custodian \(04/30/13\)](#)
- 33.4 [Wire transfer instructions \(10/19/23\)](#)
- 33.5 [Reserved](#)
- 33.6 [Delivery procedures \(02/27/15\)](#)
- 33.7 [Acceptance for purchase or rejection of pledged Mortgages \(02/27/15\)](#)
- 33.8 [Warehouse lender's security interests \(06/06/03\)](#)
- 33.9 [Release of warehouse lender's security interest \(12/05/03\)](#)
- 33.10 [Freddie Mac's obligations \(02/27/15\)](#)
- 33.11 [Indemnification \(02/27/15\)](#)
- 33.12 [Reimbursement by the Seller \(06/06/03\)](#)





### 33.1 Overview (04/30/13)

This chapter addresses arrangements between the Seller and Freddie Mac, in cases where the Seller has entered into a loan agreement with a warehouse lender. Such an agreement allows the Seller to grant the warehouse lender a security interest in a Mortgage (known as a "pledged Mortgage") as security for the payment-in-full of the indebtedness by the Seller to the warehouse lender. Subsequently, the Seller offers these pledged Mortgages for sale to Freddie Mac.

The warehouse lender that has the security interest holds the Note and, at times, other Loan Documents for the pledged Mortgage. The warehouse lender delivers the Note (and any other Loan Documents it holds) to Freddie Mac pursuant to the Seller's Purchase Contract with Freddie Mac. Subject to certain conditions, Freddie Mac will act as the custodian of those instruments for the warehouse lender prior to purchasing the pledged Mortgage or determining not to purchase the pledged Mortgage.

This chapter sets forth the relationship among the Seller, the warehouse lender and Freddie Mac. It also describes the conditions under which Freddie Mac will act as the custodian of a pledged Mortgage.

### 33.2 Defined terms for purposes of this chapter (04/30/13)

For the purposes of this chapter, the following terms have the meanings indicated:

**a. Indebtedness (10/07/02)**

Indebtedness is the debt or obligation that the Seller owes to the warehouse lender and that is incurred under the terms of the Mortgage warehousing loan agreement.

**b. Mortgage warehousing loan agreement (10/07/02)**

The Mortgage warehousing loan agreement is the agreement between the warehouse lender and the Seller pursuant to which a security interest is granted in a Mortgage that is subsequently offered for sale to Freddie Mac.

**c. Pledged Mortgage (10/07/02)**

A pledged Mortgage is a Mortgage in which the Seller has granted to the warehouse lender a continuing lien and security interest, as security for the Seller's payment-in-full of its indebtedness to the warehouse lender.

**d. Purchase proceeds (10/07/02)**

The purchase proceeds are the proceeds (cash or PCs) payable to the Seller by Freddie Mac as a result of Freddie Mac's purchase of a pledged Mortgage from the Seller.

**e. Warehouse lender (04/30/13)**

A warehouse lender is the bank or other financial institution that has entered into a Mortgage warehouse lending agreement with the Seller. This agreement allows the warehouse lender to receive a security interest in a pledged Mortgage that is subsequently offered for sale to Freddie Mac. For these purposes, a warehouse lender includes a Federal



Home Loan Bank or other lender that has made a loan or advance secured by a Mortgage intended for sale to Freddie Mac.

### 33.3 Delivery of pledged Mortgages and acceptance as custodian (04/30/13)

If the requirements of this chapter have been met, Freddie Mac will receive the Note, Security Instrument and other Loan Documents for a pledged Mortgage, subject to the lien and security interest in favor of the warehouse lender created under the Mortgage warehousing loan agreement. While Freddie Mac is determining whether to purchase a pledged Mortgage, Freddie Mac will hold the Note, Security Instrument and other Loan Documents on behalf of the warehouse lender as its custodian, subject to the lien and security interest of the warehouse lender.

Freddie Mac recognizes no other statement of the condition of its receipt of these documents, including any trust receipt, bailee letter or other purported statement of a continuing security interest.

### 33.4 Wire transfer instructions (10/19/23)

The Seller must submit to Freddie Mac *Multifamily Cash Management* the authorization documentation required by Section 32.12(b). Settlements cannot be made if such authorization documentation is not on file with Freddie Mac *Multifamily Cash Management*.

With each delivery of a pledged Mortgage to be purchased by Freddie Mac under a cash program or product, the Seller must include a completed [Form 987M, Wire Transfer Authorization – Cash Warehouse Delivery](#), attached to a properly completed and executed [Form 996M, Warehouse Lender Release of Security Interest](#). These forms must give Freddie Mac complete and accurate wire transfer instructions, so that Freddie Mac may credit the purchase proceeds of the pledged Mortgage (including applicable refunds) to the proper account.

If Freddie Mac does not receive such wire transfer instructions on Form 987M in sufficient time to process payments, Freddie Mac may postpone the Freddie Mac Funding Date until it receives and has processed Form 987M.

The instructions on Form 987M are final for that particular Mortgage delivery and binding on the Seller/Servicer and Freddie Mac. All wire instruction changes may be made only by submitting new Forms 987M and 996M. The warehouse lender and the Seller must each fully execute each form.

### 33.5 Reserved

### 33.6 Delivery procedures (02/27/15)

In addition to the documentation (including [Form 996M, Warehouse Lender Release of Security Interest](#)) required for delivery of a pledged Mortgage, the Seller must include or cause to be included in the delivery an Appendix I to Form 996M, showing the Freddie Mac loan number, the Borrower's name and the property address.



### 33.7 Acceptance for purchase or rejection of pledged Mortgages (02/27/15)

Upon receiving a delivery of a pledged Mortgage, Freddie Mac, as part of its normal purchase activities, will review the pledged Mortgage. Freddie Mac may find it necessary to return certain Loan Documents to the Seller for the Seller to correct any deficiency in those documents. In such cases, Freddie Mac will deliver to the Seller any documents that are deficient, as appropriate, except the Note.

If Freddie Mac determines that a Note is deficient, it will deliver the Note to the warehouse lender indicated on [Form 996M, Warehouse Lender Release of Security Interest](#), and will advise the Seller of such deficiency so that the Seller may cure the defect.

If Freddie Mac determines not to purchase a pledged Mortgage, it will

- Deliver the originals of the Note and any other Loan Documents for the pledged Mortgage to the warehouse lender specified on Form 996M
- By written instrument, reassign to the warehouse lender the Security Instrument and the interests in any other Loan Documents that have been assigned by the Seller to Freddie Mac as part of the pledged Mortgage delivery
- Notify the Seller of such determination and delivery

### 33.8 Warehouse lender's security interests (06/06/03)

Freddie Mac will not purchase a pledged Mortgage if the Seller has assigned the Mortgage to the warehouse lender unless the warehouse lender assigns the Mortgage to the Seller effective on or before the Freddie Mac Funding Date of the pledged Mortgage.

- If the assignment of the pledged Mortgage to the warehouse lender was recorded in the public records of any jurisdiction, the Seller must record the assignment to the Seller in the public records of the appropriate jurisdiction after the Freddie Mac Funding Date.
- If the assignment of the pledged Mortgage to the warehouse lender was not recorded, the return of that unrecorded assignment to the Seller will satisfy the requirements of this section.

Freddie Mac will not purchase a pledged Mortgage if the warehouse lender has filed a financing statement relating to the pledged Mortgage in the public records of any jurisdiction unless the warehouse lender executes a termination statement. The Seller must file the termination statement in the public records of the appropriate jurisdiction after the Freddie Mac Funding Date.

### 33.9 Release of warehouse lender's security interest (12/05/03)

The Seller must take, or to cause the warehouse lender to take, such further action as may be reasonably necessary to ensure and confirm to Freddie Mac that each pledged Mortgage purchased by Freddie Mac is free and clear of any security interests as of the Freddie Mac Funding Date. Such further action may include preparing, executing and filing additional documents and instruments.



### 33.10 Freddie Mac's obligations (02/27/15)

If Freddie Mac postpones the Freddie Mac Funding Date as a result of the Seller's failure to deliver [Form 987M, Wire Transfer Authorization – Cash Warehouse Delivery](#) or [Form 996M, Warehouse Lender Release of Security Interest](#), as required, Freddie Mac will not be liable to the Seller or the warehouse lender for any losses, costs, expenses or damages that the Seller or the warehouse lender may incur as a result of such postponement.

### 33.11 Indemnification (02/27/15)

The Seller must indemnify and hold Freddie Mac, its successors, assigns and transfer agents harmless from and against any losses, claims, demands, actions, suits, damages, costs and expenses (including attorney fees) of every nature and character that may arise or be made against or incurred by Freddie Mac as a result of any of the following:

1. Freddie Mac's role as custodian of the Note and other Loan Documents while determining whether to purchase the pledged Mortgage (and any subsequent return of the rejected Note and other Loan Documents to the warehouse lender)
2. Freddie Mac or its transfer agent delivering or transferring any PC or purchase proceeds to any person if:
  - Such PC is delivered or transferred in accordance with the terms of the Purchase and Servicing Documents or
  - Such purchase proceeds are delivered or transferred in accordance with the Purchase and Servicing Documents and the Seller's wire transfer instructions on [Form 987M, Wire Transfer Authorization – Cash Warehouse Delivery](#)
3. Security interests, claims or encumbrances of any third party, including the warehouse lender

### 33.12 Reimbursement by the Seller (06/06/03)

With respect to a delivery of a pledged Mortgage, Freddie Mac does not charge any fees in addition to those associated with specific Mortgage programs and products described elsewhere in the Guide. However, the Seller must reimburse Freddie Mac for any reasonable expenses incurred by Freddie Mac in connection with the delivery of a pledged Mortgage by any warehouse lender to Freddie Mac. Freddie Mac will specify the nature and amount of such expenses in a written notice to the Seller. The Seller must reimburse Freddie Mac for the amount of any such expenses within 10 Business Days of Freddie Mac's request.

# Multifamily Seller/Service Guide

## Chapter 34

### Retention of Mortgage File



- 34.1 [Contents of Mortgage File \(05/01/14\)](#)
- 34.2 [Business Continuity Plan \(03/01/14\)](#)
- 34.3 [Original documents \(08/07/06\)](#)
- 34.4 [Copies of Mortgage Files \(08/07/06\)](#)
- 34.5 [Maintenance \(11/30/12\)](#)
- 34.6 [Damage or loss \(10/07/02\)](#)
- 34.7 [Ownership of Mortgage File and related records \(10/07/02\)](#)
- 34.8 [Transfer of file custody \(04/30/13\)](#)
- 34.9 [Access to Mortgage records \(12/05/03\)](#)



### **34.1 Contents of Mortgage File (05/01/14)**

The Servicer must create an individual file for each Mortgage purchased for Freddie Mac. The file must contain copies of the following:

1. All documents required to be delivered by the Seller under Chapter 32 and the applicable Final Delivery Table of Contents found on FreddieMac.com
2. All legal notices
3. Correspondence
4. Forms and reports concerning the Mortgage and the Property

The Servicer must also maintain adequate records of collection efforts and make the records available for Freddie Mac's inspection on request. At a minimum, the records must show:

1. Dates when letters and notices were mailed
2. Dates of personal contacts
3. Reasons for prior and current Delinquencies and other defaults
4. Results of conversations with the Borrower
5. Terms of any workout arrangements
6. Documentation of property inspections, as required in Chapter 40

### **34.2 Business Continuity Plan (03/01/14)**

The Servicer must have in place a Business Continuity Plan meeting the requirements of Section 2.20 which includes arrangements for maintaining the Freddie Mac Mortgage Files and records, whether paper files are maintained or the files are stored electronically or on other media.

### **34.3 Original documents (08/07/06)**

If the Servicer maintains any files containing the original Mortgage, Note or assignment of Mortgage, those files must be maintained in a fire-resistant storage area.

The Freddie Mac loan number assigned to the Mortgage (or any replacement number subsequently issued by Freddie Mac) and a cross-reference to any electronic file must be clearly identified on the top right-hand corner of the face of each paper document maintained by the Servicer.

### **34.4 Copies of Mortgage Files (08/07/06)**

For documents and records, including those specified in Section 34.1, the Servicer may maintain files that consist of reproductions of the original documents by any photographic, photostatic, microfilm, microfiche, electronic imaging, optical disk or laser disk storage process, provided that



1. The reproductions are allowed under applicable law to which the Servicer is subject and in the jurisdiction where the Property is located.
2. The Servicer makes the reproductions in the regular course of business pursuant to its written policies for retention of all of its Mortgage Files and its disaster recovery plan.
3. The Servicer makes the reproductions by a process that accurately reproduces or creates a durable medium for reproducing the originals.
4. The Servicer clearly marks the reproductions to indicate the Freddie Mac loan number assigned to the Mortgage and cross-references the reproductions to the paper Mortgage File.
5. The Servicer keeps reproductions in the same office where the Mortgage Files are maintained.
6. The Servicer maintains, on the premises where the reproductions are kept, equipment necessary to view or read the reproductions and to convert them into legible paper copies.
7. The Servicer maintains the reproductions in a manner that permits ready transfer to legible paper copies of material relating to the Mortgages serviced for Freddie Mac.

If the Servicer elects to maintain copies in any media other than paper, the Servicer must produce a paper copy of any documents or loan files at Freddie Mac's prior written request.

If Freddie Mac requests the transfer of any documents, the Servicer must transfer those documents as paper copies unless otherwise agreed to by Freddie Mac.

### **34.5 Maintenance (11/30/12)**

Regardless of the form in which the Servicer keeps Mortgage Files and records, the Servicer must have control and identification features in place to

1. Permit ready identification of the Freddie Mac loan number assigned to each Mortgage serviced for Freddie Mac and Freddie Mac's percentage of participation in each such Mortgage
2. Prevent the pledge or sale to a third party of any Mortgage in which Freddie Mac has a percentage of participation
3. Permit prompt retrieval and, if applicable, delivery to Freddie Mac of a file or individual components of a file by Freddie Mac loan number
4. Permit prompt preparation and delivery to Freddie Mac of scheduled and unscheduled reports that Freddie Mac may require, by Freddie Mac loan number and/or percentage of participation

The Servicer must maintain the entire Mortgage File

1. During the time Freddie Mac owns the Mortgage
2. For a minimum of three years from the date the Mortgage is fully paid





3. For a minimum of 10 years from the resolution date if the Mortgage was accelerated and the Property was either acquired by Freddie Mac or sold at a third-party auction (Even after the expiration of the 10-year period, the Servicer may not destroy these files without written approval from Freddie Mac.)
4. For a minimum of three years (or the duration required under the Equal Credit Opportunity Act or any other applicable law or regulation) if a Mortgage application received by Freddie Mac is declined or remains incomplete.
5. For any additional time period required under any applicable law or regulation

#### **34.6 Damage or loss (10/07/02)**

The Servicer must bear the entire cost of restoring Mortgage Files and related documents and records damaged or lost for any reason.

#### **34.7 Ownership of Mortgage File and related records (10/07/02)**

All documents in the Mortgage File and all other documents and records of whatever kind or description (whether prepared or maintained or held by the Servicer, or others acting for and on behalf of the Servicer) that are reasonably required to service a Mortgage for Freddie Mac will be, and will remain at all times, the property of Freddie Mac. The Servicer retains all of these records in its possession in a custodial capacity only.

#### **34.8 Transfer of file custody (04/30/13)**

Freddie Mac may at any time require the Servicer to deliver to Freddie Mac or a transferee designated by Freddie Mac

- Any original Note, Loan Agreement, Security Instrument, assignment and modifying instrument still in the Servicer's custody
- As paper copies, unless otherwise agreed to by Freddie Mac, any Mortgage File, document within a Mortgage File, or other related documents and records in the Servicer's or its custodian's custody

#### **34.9 Access to Mortgage records (12/05/03)**

Freddie Mac may request, in writing or orally, access to Mortgage records in the Servicer's possession. In compliance with Freddie Mac's request, the Servicer must:

- Disclose the Mortgage records to Freddie Mac
- Permit Freddie Mac to have access to the Mortgage records for examination (see Section 34.4)
- Deliver the Mortgage records to Freddie Mac as paper documents unless otherwise agreed to by Freddie Mac



Freddie Mac may also request, in writing or orally, any of the above actions with respect to any and all other records, documents, files, information and data maintained or held by the Servicer that Freddie Mac considers necessary to

- Determine or assess the correctness and completeness of the Mortgage records for any Mortgage serviced by the Servicer for Freddie Mac, or
- Assure that the Servicer is complying with the requirements of the Purchase and Servicing Documents

The Servicer must have a written agreement with each of the following, ensuring compliance with Freddie Mac's requests for Mortgage records or other information

- The Servicer's Servicing Agents
- The Servicer's service bureau
- Any other person or entity that processes, maintains or stores any Mortgage records for the Servicer

# Multifamily Seller/Servicer Guide

Chapter 35

Reserved



**Reserved for future use.**

# Servicing Freddie Mac Loans

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Chapters 36-49

# Multifamily Seller/Servicer Guide

## Chapter 36

### General Servicing Policies



- 36.1 [Servicing \(07/15/14\)](#)
  - a. [Servicing topics \(05/06/05\)](#)
  - b. [General responsibilities \(07/15/14\)](#)
- 36.2 [Securitization \(06/27/19\)](#)
- 36.3 [Servicer agreements \(05/06/05\)](#)
- 36.4 [Staff expertise \(05/01/14\)](#)
- 36.5 [Material Vendor and Servicing Agent requirements \(10/20/22\)](#)
  - a. [Permitted Material Vendor functions; contact with Borrower \(10/20/22\)](#)
  - b. [Servicing functions for which the use of a Material Vendor is prohibited without prior approval \(10/20/22\)](#)
  - c. [Quality and controls \(10/20/22\)](#)
  - d. [Notifying Freddie Mac of a Material Vendor or Servicing Agent \(10/20/22\)](#)
  - e. [Right to restrict use of a Material Vendor or Servicing Agent and to limit or prohibit use \(10/20/22\)](#)
  - f. [Confidentiality \(10/20/22\)](#)
- 36.6 [Servicing facilities and duties \(05/06/05\)](#)
- 36.7 [Power of attorney \(05/06/05\)](#)
- 36.8 [Inspection of Property; review of financial statements \(05/06/05\)](#)
- 36.9 [Borrower inquiries \(10/07/02\)](#)
- 36.10 [General requirements for Servicing reports \(06/30/16\)](#)
- 36.11 [Noncompliance fees \(05/06/05\)](#)
- 36.12 [Modification; release \(04/30/13\)](#)
- 36.13 [Retention of Mortgage files \(05/06/05\)](#)
- 36.14 [Fraud prevention, detection and reporting \(01/01/12\)](#)
- 36.15 [Confidential information; privacy; conflicts of interest; security of information \(05/01/14\)](#)
- 36.16 [Disclosure of Borrower payment history \(05/06/05\)](#)
- 36.17 [Misuse of material information \(05/01/14\)](#)
- 36.18 [Equity Conflicts of Interest \(08/26/21\)](#)



- a. [Notice \(08/26/21\)](#)
- b. [Freddie Mac rights \(06/25/20\)](#)

36.19 [Indemnity \(05/01/14\)](#)

36.20 [Independent contractor \(05/06/05\)](#)

36.21 [Assignment by Freddie Mac \(05/06/05\)](#)

36.22 [Assignment by the Seller or the Servicer \(05/06/05\)](#)

36.23 [Minimum net worth \(05/06/05\)](#)

36.24 [Use of counsel with respect to Mortgages serviced for Freddie Mac \(06/30/16\)](#)

36.25 [Consent Request Tracker \(04/18/24\)](#)



## 36.1 Servicing (07/15/14)

### a. Servicing topics (05/06/05)

Chapters 36 through 54 describe the specifics of servicing multifamily Mortgages for Freddie Mac.

This chapter deals with the general information that the Servicer needs to know with regard to being a Servicer for Freddie Mac.

### b. General responsibilities (07/15/14)

1. The Servicer must service Mortgages purchased by Freddie Mac in accordance with the requirements of applicable law and the Purchase and Servicing Documents (including the Guide).
2. Each Servicer must designate a Chief Servicing Officer, subject to Freddie Mac's approval. The Chief Servicing Officer must be an officer involved in, or responsible for, the administration and Servicing of Mortgages and/or whose primary responsibilities are related to the underwriting or analysis of the creditworthiness of loans being serviced by such Servicer. The Chief Servicing Officer's name must appear on a list of servicing officers furnished to and approved by Freddie Mac.

For each Servicer request for Freddie Mac approval of a transaction, the Servicer must include in the materials submitted to Freddie Mac a certification executed by the Chief Servicing Officer in the form found at [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset), attesting to the package quality and adherence to the requirements of the Guide (or, for a securitized loan, the applicable Servicing Standard set forth in the securitization documents).

3. The Servicer must monitor compliance with the Mortgage Document terms and conditions, including the Borrower's fulfillment of all responsibilities. The Servicer must notify Freddie Mac in the event of noncompliance with any terms and conditions that could negatively impact Freddie Mac's security or risk exposure (see Section 43.16(a)). The Servicer, under Freddie Mac's direction, must take actions needed to address and resolve any noncompliance issues.
4. The Servicer is responsible for acting in the most timely, efficient and responsible manner to protect Freddie Mac's interests with respect to Mortgages serviced for Freddie Mac.
5. The Servicer must represent and defend Freddie Mac's interests in the applicable Mortgages or Real Estate Owned (REO) to the extent it would represent and defend its own interest.
6. Freddie Mac expects the Servicer's facilities and practices to be sufficient to safeguard Freddie Mac's interests and expects the Servicer to respond promptly to the needs of both Freddie Mac and the Borrower.
7. The Servicer must track Borrower requests for lender consent and must provide that information to Freddie Mac as and when required by Freddie Mac.





8. Accounting by the Servicer must follow the Guide, as it is amended or supplemented from time to time.

### **36.2 Securitization (06/27/19)**

At the time of Securitization of a Mortgage, Freddie Mac will cease to own the applicable Mortgage. Upon the transfer of the Mortgage to a master servicer, Servicing of the applicable Mortgage for Freddie Mac will be terminated automatically without compensation to the Servicer or any subservicer. Any and all rights of the Servicer and any subservicer that are set forth in this chapter and Chapter 42, are applicable only for the period prior to Securitization during which Freddie Mac is the owner of the applicable Mortgage. The duties, rights and compensation to the Servicer and any subservicer after Securitization will be determined in accordance with the agreement, if any, between the master servicer and the primary Servicer.

### **36.3 Servicer agreements (05/06/05)**

In addition to general undertakings, representations and warranties elsewhere in the Guide, when Servicing Mortgages and REO for Freddie Mac, the Servicer must:

- Comply with the Purchase and Servicing Documents and any instruction, request or requirement issued by Freddie Mac
- Abide by Freddie Mac's decision with respect to any of the Mortgages or REO, regardless of the Servicer's percentage of participation in the Mortgage or REO
- Hold Freddie Mac harmless for any loss the Servicer may suffer from any decision made by Freddie Mac with respect to any of the Mortgages or REO, regardless of the Servicer's percentage of participation in the Mortgage or REO

### **36.4 Staff expertise (05/01/14)**

The Servicer must maintain specialized staff knowledgeable and experienced in multifamily asset management and Servicing, multifamily Mortgage documentation and other features that distinguish multifamily Mortgages from other mortgages. The Servicer must be alert and responsive to changing economic conditions. Effective Servicing of Freddie Mac Mortgages requires initiative and early intervention if signs of asset deterioration become evident and risk of default increases.

The Servicer must be alert to the objectives and interests of Freddie Mac in all matters that are relevant to the proper Servicing of multifamily Mortgages and maintenance of the Property.

The Servicer must continue to develop and maintain expertise in the following critical areas:

1. Market knowledge
2. Property valuation
3. Physical condition evaluation
4. Property management evaluation



5. Financial analysis
6. Borrower evaluation
7. Underwriting and credit analysis related to special servicing transactions
8. Insurance compliance
9. Problem resolution, including foreclosure

## 36.5 Material Vendor and Servicing Agent requirements (10/20/22)

### a. Permitted Material Vendor functions; contact with Borrower (10/20/22)

Freddie Mac will permit the Servicer to use a Material Vendor for certain low risk Servicing functions that the Servicer deems necessary and appropriate to manage the Servicer's Servicing responsibilities without prior Freddie Mac approval, but subject to the notification requirements set forth in Section 3.9. Delegation of functions beyond this scope is considered to be subservicing and requires Freddie Mac approval in accordance with Section 3.8(a). Additionally, the subservicer/Servicing Agent chosen by the Servicer must have also received Freddie Mac approval to service the requested collateral type prior to contracting with the Servicer (e.g., a Servicing Agent must be approved to service an SBL Mortgage prior to providing any Servicing function on an SBL Mortgage on behalf of a Servicer).

As examples, Freddie Mac will permit the Servicer to use a Material Vendor without prior approval for Servicing functions such as:

- Real estate tax services,
- Insurance compliance reviews,
- Uniform Commercial Code (UCC) monitoring and filings,
- Standard Replacement Reserve management,
- Financial statement data entry and other data entry, and
- Certain low risk accounting and reporting functions that the Servicer deems necessary and appropriate to manage the Servicer's accounting and reporting responsibilities, in accordance with Guide Section 50.2

Visit the Material Vendor [web page](#) for more information regarding Material Vendors and examples of ongoing loan activities that do not require further approval.

A Material Vendor without pre-approval from Freddie Mac may contact a Borrower only in the following situations:

1. An expert in the field of insurance may contact a Borrower directly in connection with providing insurance services to the Servicer.
2. For administrative functions, such as sending reminder letters to Borrowers regarding submission of annual property financial statements, the Material Vendor may send letters



to Borrowers only if authorized to do so by the Servicer and if such correspondence is on the Servicer's letterhead. In addition, the Material Vendor may engage in follow up telephone contact with the Borrower as needed in support of such administrative functions if authorized to do so by the Servicer and if the Material Vendor represents itself as calling on behalf of the Servicer.

The Servicer must ensure that each Material Vendor Servicing function meets the quality standards set forth in Section 36.5(c).

**b. Servicing functions for which the use of a Material Vendor is prohibited without prior approval (10/20/22)**

In general, the Servicer may not use a Material Vendor to make decisions related to the Mortgage's performance or credit risk, unless approved by Freddie Mac.

Specifically, Servicers may not use a Material Vendor to:

1. Perform any required Mortgage performance risk assessment or make related recommendations
2. Monitor or manage a Mortgage with a Risk Rating greater than six, a Delinquent or maturing Mortgage, or any Mortgage assigned to Freddie Mac Multifamily Asset Resolution
3. Perform credit analyses or make related recommendations (including all transaction and special Servicing requests)
4. Perform any services or functions that require or are likely to result in the Material Vendor receiving, using, handling, or otherwise having access to, any individual financial or personal information pertaining to any Borrower, Guarantor, or other individual, even if such services or functions are described as eligible Material Vendor responsibilities in Section 36.5(a)
5. Conduct property inspections, except as described in Section 40.14
6. Evaluate Repair Reserve requests or make related disbursement decisions
7. Manage letters of credit or any other collateral securing or related to the Mortgage other than UCC filings
8. Manage the Borrower relationship, including all communications with the Borrower, unless otherwise permitted by Section 36.5(a) (see also Section 50.2(b))
9. Communicate with Freddie Mac on behalf of the Servicer
10. The accounting and reporting responsibilities described in Section 50.2(b)

Upon Freddie Mac approval, a Servicer may delegate any of the above functions to a Servicing Agent.

**c. Quality and controls (10/20/22)**

The Servicer must ensure that any Servicing that is the responsibility of a Material Vendor or Servicing Agent is completed in accordance with the Guide and with high quality standards, including as follows:

1. A Servicer that uses a Material Vendor or Servicing Agent domiciled in, or that provides services to the Servicer from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to a Material Vendor or Servicing Agent domiciled in and providing services to the Servicer from a State.
2. The Servicer must maintain thorough and accurate information and records regarding each Material Vendor or Servicing Agent responsibility and ensure that the Material Vendor or Servicing Agent has appropriate controls in place to fulfill its responsibilities.
3. Notwithstanding the use of a Material Vendor or Servicing Agent, the Servicer must be knowledgeable about the Mortgage and the Property and be able to provide accurate and thorough recommendations on all Servicing issues. The Servicer will remain liable to Freddie Mac for all obligations for which it has engaged a Material Vendor or Servicing Agent.
4. The Servicer must have detailed, well-controlled procedures and training for all functions managed or otherwise supported by a Material Vendor or Servicing Agent. As part of Freddie Mac's Seller/Servicer audit, the Servicer must be able to:
  - Provide documentation evidencing adequate controls that ensure a high quality work product
  - Provide documentation evidencing procedures and training for all functions assigned to a Material Vendor or Servicing Agent
  - Have available, either electronically or otherwise, access to underlying Material Vendor or Servicing Agent information and work product

The Servicer may lose Freddie Mac's approval to use a Material Vendor or Servicing Agent for Servicing responsibilities if Freddie Mac determines, in its sole discretion, that the Servicer's or Material Vendor's or Servicing Agent's controls are inadequate or if Freddie Mac, in its sole discretion, determines that the quality of the Material Vendor's or Servicing Agent's work is unsatisfactory.

**d. Notifying Freddie Mac of a Material Vendor or Servicing Agent (10/20/22)**

Within 10 Business Days of the date of onboarding of a Material Vendor, the Servicer must notify Freddie Mac in accordance with the requirements in Section 3.9.

At least 60 days before contracting with a Servicing Agent, the Servicer must request Freddie Mac's prior written approval and notify Freddie Mac in accordance with the requirements in Section 3.8(a).



**e. Right to restrict use of a Material Vendor or Servicing Agent and to limit or prohibit use (10/20/22)**

Freddie Mac reserves the right to:

- Restrict the use of Material Vendors or Servicing Agents for a specific Servicing responsibility
- Prohibit the use of a particular Material Vendor or Servicing Agent for Servicing responsibilities
- Limit or prohibit a Servicer from using a Material Vendor or Servicing Agent for Servicing responsibilities

**f. Confidentiality (10/20/22)**

The Servicer must ensure that each Material Vendor or Servicing Agent used for Servicing responsibilities complies with the privacy and confidentiality provisions set forth in the Guide (including Section 36.15) and maintains appropriate training and controls to fulfill its privacy and confidentiality responsibilities. The Servicer will be liable to Freddie Mac for the failure of any Material Vendor or Servicing Agent to comply with these provisions.

**36.6 Servicing facilities and duties (05/06/05)**

The Servicer must maintain adequate facilities and experienced staff and must take all actions necessary to ensure that the Mortgages and REO in which Freddie Mac has an interest are serviced in accordance with the Purchase and Servicing Documents, applicable law, regulation or requirement, and any instructions issued by Freddie Mac.

**36.7 Power of attorney (05/06/05)**

In its discretion, Freddie Mac may give, and the Servicer must accept, a power of attorney that grants broader powers to the Servicer. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's power of attorney has been recorded. The Servicer must comply with all local recording requirements and is solely responsible for paying any recording fee assessed by the applicable authority.

**36.8 Inspection of Property; review of financial statements (05/06/05)**

A periodic inspection of the Property and review of the Income and Expense Statements for the Property are important tools in preventing, monitoring and evaluating the potential for a default of a Mortgage. For detailed instruction on types and timing of inspections and assessments required by Freddie Mac, see Chapter 40.

**36.9 Borrower inquiries (10/07/02)**

If asked by the Borrower, the Servicer must inform the Borrower whether Freddie Mac has purchased the Borrower's Mortgage. If Freddie Mac has purchased the Mortgage, the Servicer must explain to the Borrower that it services the Mortgage for Freddie Mac. The Servicer must answer the Borrower's inquiries and not refer the Borrower to Freddie Mac or advise the Borrower



to contact Freddie Mac directly concerning the Mortgage. The Servicer must give Borrowers prompt, clear and accurate information about their Mortgages. (See Sections 36.15 and 42.11 for additional Servicer obligations regarding Borrower inquiries.)

### **36.10 General requirements for Servicing reports (06/30/16)**

The Servicer must send assessments and loan-level accounting reports in conjunction with various paper reports.

Each report and all correspondence for a particular Mortgage must reference the Freddie Mac Seller/Servicer number and the Freddie Mac loan number. The Servicer must ensure that all reports required or requested by Freddie Mac are accurately prepared and promptly submitted.

The Servicer must submit such other reports as Freddie Mac may require from time to time.

### **36.11 Noncompliance fees (05/06/05)**

Freddie Mac may assess Servicing reporting noncompliance fees against the Servicer if the Servicer fails to provide timely, complete and accurate reports (regardless of the mode of submission or transmission).

Freddie Mac separately monitors Servicing reporting, accounting reporting and Delinquency reporting and separately assesses noncompliance fees. Freddie Mac will send the Servicer a written notification of each violation.

### **36.12 Modification; release (04/30/13)**

The Servicer must not modify, waive or release any term of any Note, Security Instrument or other Loan Document, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note, Security Instrument or other Loan Document except as authorized by the Purchase and Servicing Documents or by Freddie Mac.

### **36.13 Retention of Mortgage files (05/06/05)**

The Servicer must maintain all files and other materials relating to each Mortgage serviced for Freddie Mac in accordance with the requirements of Chapter 34.

### **36.14 Fraud prevention, detection and reporting (01/01/12)**

The Servicer must have specific fraud prevention, detection and reporting practices and procedures in place in all areas of Servicing. See Section 2.19.

### **36.15 Confidential information; privacy; conflicts of interest; security of information (05/01/14)**

Through its Servicing of Mortgages for Freddie Mac, the Servicer sometimes obtains confidential information concerning the Borrower, Borrower Principals and the Property. The Servicer may use this information only as permitted under applicable law, including laws and regulations regarding privacy, disclosure of credit information, and the purchase and sale of securities. The





Servicer may not use this information in any way that could be construed to represent a conflict of interest or breach of confidentiality.

The Servicer must maintain confidential information concerning the Borrower, Borrower Principals and the Property in such a way as to ensure the security and confidentiality of the information, protect against anticipated threats or hazards to the security or integrity of the information, and protect against unauthorized access to or use of such information.

### **36.16 Disclosure of Borrower payment history (05/06/05)**

The Servicer must disclose to the Borrower, or to any third party authorized in writing by the Borrower, information maintained by the Servicer concerning the Borrower's payment history if the Borrower (or any third party authorized by the Borrower) requests such information in writing. Information so disclosed must be correct, complete and up-to-date, and must accurately reflect the Borrower's performance in meeting payment obligations without the use of codes or abbreviations.

### **36.17 Misuse of material information (05/01/14)**

Certain information about an individual Mortgage or Property obtained by the Servicer through its Servicing of Mortgages for Freddie Mac may be material to a purchaser or a seller of Participation Certificates (PCs) or other securities representing interests in that Mortgage. Information about the Mortgage or the Property is considered to be material if there is a substantial likelihood that a reasonable investor would consider the information to be important in determining whether to purchase or sell a PC or other security representing interests in the Mortgage. If the Servicer has material information about the Mortgage or the Property that Freddie Mac has not made publicly available, the Servicer may not purchase or sell such a PC or other security (or disclose material information relating to the PC or other security to a third party for its use) without disclosing such material information to the other party in the transaction. However, if disclosure of such information to other parties would contravene applicable law and regulations regarding disclosure of credit information, the Servicer must refrain from trading with respect to the PC or other security.

### **36.18 Equity Conflicts of Interest (08/26/21)**

#### **a. Notice (08/26/21)**

The Seller/Servicer must disclose the nature and extent of the Equity Conflict of Interest in writing to [Multifamily Asset Management, Borrower Transactions](#) any time that an Equity Conflict of Interest arises, or when the Seller/Servicer (including any of its employees, or affiliates) plans to enter into a transaction that would result in an Equity Conflict of Interest.

Refer to Section 2.25 for the definition of Equity Conflict of Interest.

#### **b. Freddie Mac rights (06/25/20)**

Freddie Mac may require that the Servicer repurchase a Mortgage, transfer Servicing of the Mortgage, or impose conditions on the Servicer's continued Servicing of the Mortgage if a Seller/Servicer-Level Owner Equity Conflict of Interest exists as defined in Section 2.25 and Freddie Mac, in its sole discretion, determines that such ownership is likely to result in inadequate Servicing of the Mortgage.



**36.19 Indemnity (05/01/14)**

The Servicer must indemnify Freddie Mac for and hold it harmless from any loss, damage or expenses (including court costs and reasonable attorney fees) that Freddie Mac sustains as a direct or indirect result of any failure on the Servicer's part to properly perform its services, duties and obligations under the Purchase and Servicing Documents or as a direct or indirect result of the Servicer's bankruptcy or insolvency.

**36.20 Independent contractor (05/06/05)**

Under the Purchase and Servicing Documents, the Servicer contracts with Freddie Mac as an independent contractor to service Mortgages for Freddie Mac. The Servicer is not an agent or assignee of Freddie Mac.

**36.21 Assignment by Freddie Mac (05/06/05)**

Freddie Mac has the unconditional right to sell, assign, convey, hypothecate, pledge or in any way transfer, in whole or in part, its rights under the Purchase and Servicing Documents. Freddie Mac has the right to direct the Servicer to send remittances, notices, reports and other communications to any party designated by Freddie Mac and may designate any such party to exercise any and all of Freddie Mac's rights.

**36.22 Assignment by the Seller or the Servicer (05/06/05)**

The Seller or the Servicer must not assign, sell, convey, hypothecate, pledge or in any other way transfer, conditionally or otherwise, its interests, rights or obligations under the Purchase and Servicing Documents except as expressly permitted in the Purchase and Servicing Documents.

**36.23 Minimum net worth (05/06/05)**

The Servicer must maintain, at all times, a minimum net worth in accordance with the requirements of Chapter 3.

**36.24 Use of counsel with respect to Mortgages serviced for Freddie Mac (06/30/16)**

For the requirements regarding the use of counsel for Mortgages serviced for Freddie Mac, see Chapter 6. For the requirements regarding the use of counsel for SBL Mortgages serviced for Freddie Mac, see Chapter 6SBL.

**36.25 Consent Request Tracker (04/18/24)**

When a Servicer receives a Borrower request for Lender consent, the Servicer must use Freddie Mac's Consent Request Tracker (CRT), a shared tool that provides information to track the progress of Borrowers' requests with respect to all Mortgages.

Within 2 Business Days after receipt of a Borrower request for Lender consent, the Servicer must:

- Log the request into the CRT,



- Record general information regarding the request, including completing data fields as required, and
- Assign the next level reviewer of the request as needed

As the review of the request continues, the Servicer must keep the CRT current by timely recording date milestones, status information, any comments and key dates on individual consent requests. For securitized Mortgages, primary servicers, master servicers and special servicers will also have access to and use the CRT to record such information.

CRT can also be used to upload the required documentation for the request rather than uploading it directly to Document Management System (DMS). For securitized Mortgages, this capability applies solely where Freddie Mac is master servicer.

# Multifamily Seller/Servicer Guide

Chapter 37

Reserved



**Reserved for future use.**

# Multifamily Seller/Servicer Guide

## Chapter 38

### Servicing Compensation



- 38.1 [Servicer to perform its obligations at its own expense \(04/30/13\)](#)
- 38.2 [Servicing compensation for Mortgages Purchased in Whole by Freddie Mac \(10/07/03\)](#)
- 38.3 [Servicing compensation for Mortgages Purchased in Part by Freddie Mac \(10/07/03\)](#)
- 38.4 [Servicing compensation for Mortgages prepaid during the Yield Maintenance Period \(12/07/04\)](#)
- 38.5 [Servicing compensation for a new Servicer pursuant to transfer following termination for cause \(12/05/03\)](#)

**38.1 Servicer to perform its obligations at its own expense (04/30/13)**

The Servicer is responsible for performing the duties required under the Guide at its own expense and without cost or charge to Freddie Mac, except as provided in this chapter or elsewhere in the Guide. The Servicer may charge to the Borrower costs that are incurred by the Servicer to provide services to the Borrower only to the extent allowed under the terms of the Loan Documents and any applicable law. These costs include the Servicing of the Borrower's Reserves and any cost associated with satisfaction and release of the Mortgage.

**38.2 Servicing compensation for Mortgages Purchased in Whole by Freddie Mac (10/07/03)**

The compensation for the Servicer's duties for each Mortgage Purchased in Whole by Freddie Mac is the Servicing Spread that the Servicer will be entitled to retain so long as it services the Mortgage for Freddie Mac.

**38.3 Servicing compensation for Mortgages Purchased in Part by Freddie Mac (10/07/03)**

The compensation for the performance of the Servicer's duties for each Mortgage Purchased in Part by Freddie Mac is the entire amount of interest received on the Mortgage in excess of the Freddie Mac Required Net Yield, regardless of the amount of Freddie Mac's interest in the Mortgage. Freddie Mac currently purchases only whole Mortgages.

**38.4 Servicing compensation for Mortgages prepaid during the Yield Maintenance Period (12/07/04)**

When Freddie Mac collects the entire Yield Maintenance Prepayment Premium for a Mortgage that is partially paid or paid in full, Freddie Mac will pay the Servicer a servicing maintenance prepayment fee. Freddie Mac will compute the servicing maintenance prepayment fee from the results of two calculations of the Yield Maintenance Prepayment Premium. Freddie Mac will compute the Yield Maintenance Prepayment Premium with the formula described in the Note using the Coupon Rate. Freddie Mac will compute the Yield Maintenance Prepayment Premium a second time substituting the net yield for the Coupon Rate in the formula. The amount of the servicing maintenance prepayment fee will equal the difference between these two calculations. Once the Yield Maintenance Prepayment Premium and the servicing maintenance prepayment fee have been calculated and verified, the Servicer is responsible for reporting and remitting the Yield Maintenance Prepayment Premium net of any applicable servicing maintenance prepayment fee. See Section 53.4 for information on remitting the proceeds due to Freddie Mac.

This servicing maintenance prepayment fee will not be applicable for:

- Prepayment premiums that are collected after the Yield Maintenance Period has expired, or
- Prepayment premiums that are calculated at a fixed percentage rate, or
- Yield Maintenance Prepayment Premiums that are less than the full Yield Maintenance Prepayment Premium amount due



Freddie Mac, in its discretion, may allow a Borrower to prepay a Mortgage and pay less than the entire Yield Maintenance Prepayment Premium, in which case the Servicer will not be entitled to payment of the servicing maintenance prepayment fee.

**38.5 Servicing compensation for a new Servicer pursuant to transfer following termination for cause (12/05/03)**

If Freddie Mac terminates and transfers Servicing, the new Servicer will be entitled to retain Servicing compensation from the interest received in excess, if any, of the Freddie Mac Required Net Yield in an amount agreed to by Freddie Mac.

# Multifamily Seller/Servicer Guide

## Chapter 39

### Administration of Reserves; Monitoring Repairs



- 39.1 [General requirements for the administration of Reserves and monitoring repairs \(02/29/16\)](#)
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- 39.3 [Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements \(10/12/17\)](#)
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- 39.4 [Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier or dated on or after 07-30-2024 \(10/17/24\)](#)
  - a. [Monitoring and timely completion of repairs \(02/28/19\)](#)
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- 39.5 [Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 \(08/15/24\)](#)
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  - e. [Prohibited actions by the Servicer \(10/14/16\)](#)
- 39.6 [Replacement Reserve Servicing \(06/13/24\)](#)
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- 39.7 [Rental achievement Reserve Servicing \(09/18/14\)](#)
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- c. [Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit \(10/31/12\)](#)
- d. [Failure of Property to meet performance standard; application of collateral \(10/31/12\)](#)
- e. [Prohibited actions by the Servicer \(10/31/12\)](#)

39.8 [Special Purpose Reserve Servicing \(10/14/16\)](#)

- a. [Monitoring of Property performance; requests for release or reduction of Reserve funds \(10/14/16\)](#)
- b. [Extension of termination date \(10/14/16\)](#)
- c. [Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit \(10/14/16\)](#)
- d. [Failure of Property to meet performance standard; application of collateral \(10/14/16\)](#)
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39.9 [Servicing Moderate Rehabilitation \(Mod Rehab\) Mortgages \(12/15/22\)](#)

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39.10 [Servicing a Mortgage with a Green Up® or a Green Up Plus® loan option \(02/28/19\)](#)

- a. [Benchmarking Metrics \(02/28/19\)](#)
- b. [Borrower, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager \(02/28/19\)](#)



## 39.1 General requirements for the administration of Reserves and monitoring repairs (02/29/16)

### a. Delivery of documents and notices to Freddie Mac (02/29/16)

#### 1. Electronic Delivery

When this chapter requires electronic delivery of backup documentation related to the completion or partial completion of repairs, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Property Reporting System (PRS).

When this chapter requires electronic delivery of documents related to post-origination transactions, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify:

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, *“Structured Transactions”*
- For all other Mortgages, *“Borrower Transactions”*

#### 2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver the original to
  - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
  - For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

### b. Reserve Custodial Accounts (05/01/14)

The Servicer must hold Reserves in Custodial Accounts in accordance with the requirements of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold all Reserves in Custodial Accounts meeting the requirements of Chapter 52.

The Seller/Servicer must provide Freddie Mac all Custodial Account documentation required by Chapter 52.



The Servicer must service all Reserve Custodial Accounts required or permitted under this chapter in accordance with the Loan Documents, this chapter, Chapter 52 and other applicable sections of the Guide, and industry-accepted practices.

## **39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges (10/19/23)**

### **a. Reserve requirements (04/30/19)**

1. Unless Freddie Mac has deferred its right to require a Reserve for any item(s), the Servicer must collect Reserves for:
  - Taxes
  - Ground rents
  - Assessments and charges that may, if not paid on a timely basis, become prior liens on the Property
  - Premiums on all insurance policies (individual policies, Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties) required by Chapter 31 and/or the Purchase and Servicing Documents. See Section 31.2(c) for additional information regarding Reserves for insurance premiums.
  - Cap fee deposits for an ARM with an interest rate cap or swap agreement with a third-party provider that expires before the Mortgage maturity date
2. For taxes, ground rents, assessments, cap fee deposits and premiums for individual insurance policies, if the Servicer is collecting a Reserve when Freddie Mac purchases the Mortgage, the Servicer must continue to collect 1/12 of the yearly charge for each Reserve together with each monthly installment payable under the Note.
3. For Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties, the Seller/Servicer must do one of the following:
  - Collect 1/12 of the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies with each monthly installment payable under the Note.
  - Collect 1/12 of an amount sufficient to purchase an individual insurance policy or policies with each monthly installment payable under the Note.
  - Collect an amount sufficient to pay the annual premium for an individual insurance policy or policies for the Property.
4. If a Borrower obtains a Supplemental Mortgage, then beginning on the Origination Date of the Supplemental Mortgage, the Servicer of the most senior Mortgage will begin to collect Reserve deposits for taxes, ground rents (if applicable), insurance, and



Replacement Reserves, unless one of the following circumstances exists:

- The Mortgaged Property is a Cooperative, and collection of those Reserves was deferred at origination of the most senior Mortgage
  - The Loan Documents for the most senior Mortgage explicitly provide for continued deferral of Reserve deposits following origination of a Supplemental Mortgage (for items other than insurance)
  - The Loan Documents for the most senior Mortgage explicitly provide for the continued deferral of Reserve deposits for insurance because the Mortgaged Property was covered under a Blanket Insurance policy or a master insurance policy and under the Supplemental Mortgage, the Mortgaged Property will continue to be covered under a Blanket Insurance policy or a master insurance policy.
5. The Servicer must pay, at its own expense, any interest payable to the Borrower for Reserve funds or any other funds held by the Servicer, whether due to contractual agreement or operation of law. The Servicer must use funds deposited in a Reserve only for items related to the purpose for which the Reserve was established. The Servicer may not withdraw miscellaneous costs, including Uniform Commercial Code (UCC) filing fees, overnight delivery charges and/or late payment fees, from the Reserve.
  6. The Servicer must obtain bills for and pay all Reserve items before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all Reserve items.
  7. At least annually, the Servicer must compute the required Reserve installment amounts based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected or have been collected to meet all Reserve payments. If the amount held in Reserve by the Servicer, together with the future monthly Reserve installments, exceeds the amount required to pay Reserve items as they fall due, the Servicer must either repay the excess promptly to the Borrower (if there is no default under the terms of the Loan Documents) or credit the excess to the Borrower by a reduction in monthly Reserve installments.
  8. If the Servicer deems the amount held in Reserve insufficient to pay Reserve items when due, the Servicer must obtain the necessary additional funds from the Borrower before the latest date on which the charges may be paid prior to penalty, lapse of insurance policies, etc. If the Borrower fails to remit the deficient amount, or if there is insufficient time to obtain the amount, the Servicer must pay any Reserve items due and reflect a shortage in the Borrower's Reserve. However, during any period in which the Borrower is in bankruptcy, the Servicer may not make any advance in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

For Mortgages originated under this Guide, the Servicer must advance the shortage in accordance with Section 52.15 and must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any advance is unresolved for 30 days.



For Delegated TAH Mortgages, the Servicer must advance the shortage to the extent permitted or described in its Delegated TAH Master Agreement.

9. To the extent permitted by the Loan Documents and applicable law, the Servicer may, without Freddie Mac's prior approval, start collecting Reserves not previously required, but may not discontinue collecting Reserves without Freddie Mac's prior written approval.

**b. Annual certification (02/06/17)**

Any Servicer that has a Multifamily Servicing-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing that all of the following have been paid during the preceding fiscal year and are not then delinquent, except as otherwise set forth in the certification:

1. Insurance premiums
2. Ground rents
3. Assessments
4. Taxes
5. Other charges that may, if not paid on a timely basis, become prior liens on the Property

If any such items are delinquent, the certification must describe the nature of the delinquency and the steps being taken to cure that delinquency.

The certification must be made using [Form 1110M, Multifamily Annual Certification Report – Servicer Only](#). Servicers must use the Multifamily Eligibility System, available on FreddieMac.com, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed [Form 1110M](#) within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

**c. Requirements when Reserves are not collected (10/19/23)**

If Freddie Mac has deferred its right to collect Reserves for any item, or if the Loan Documents or applicable law do not provide for the collection of Reserves or if Reserves were not being collected for some or all items when the Mortgage was sold to Freddie Mac, the Servicer must proceed as follows:

**1. Verification of payment**

At least annually, the Servicer must either require the Borrower to furnish proof of payment of all taxes, insurance premiums, ground rents, assessments and other charges or use other reliable means (such as tax services) commonly employed by private institutional mortgage investors to determine that these items have been paid.

**2. Additional verification for Mortgages with a Risk Rating greater than six**

On a semi-annual basis, for each Mortgage secured by a Property with a Risk Rating

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greater than six, or any Mortgage otherwise identified by Freddie Mac to the Servicer, the Servicer must:

- Require the Borrower to furnish proof of payment of water and sewer charges, or
- Require the Borrower to provide a certification that the water and sewer charges have been paid, or
- Use other reliable means commonly employed by private institutional mortgage investors to determine that water and sewage charges have been paid

Acceptable proof of payment includes copies of paid receipts and/or cancelled checks, and the corresponding water and sewer bills showing the previous amount paid.

### **3. Demand upon Borrower**

If the Servicer discovers that any charge listed in item 1 or 2, above, has not been paid, the Servicer must immediately contact the Borrower in writing and require the Borrower to provide proof of payment within 10 days and provide Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* with a copy of such notice.

### **4. Advances by Servicer**

For Delegated TAH Mortgages, advances by the Servicer are governed by its Delegated TAH Master Agreement.

For all other Mortgages, if the Borrower fails to pay any charge listed in item 1 or does not provide proof of that payment within the required 10 days, the Servicer must advance funds for the unpaid charge and any applicable penalty unless the Borrower is in bankruptcy.

If the Servicer fails to advance funds for the unpaid charge, Freddie Mac will hold the Servicer solely responsible for any penalties, interest or related charges resulting from the Servicer's failure to make the advance. If the Borrower is in bankruptcy, the Servicer may not make any advances in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

The Servicer must attempt to work out an arrangement with the Borrower for repayment of any advance and, if allowed by law and the Loan Documents, must begin to collect Reserves for future charges.

If the Servicer cannot reach an agreement with the Borrower for the Borrower's repayment of the advanced amount or if the Borrower fails to comply with the terms of any such arrangement or refuses to set up a Reserve for future charges, the Servicer must promptly notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* of all advances and must immediately recommend, in writing, a plan to protect Freddie Mac's interest.



### **39.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements (10/12/17)**

#### **a. Reserve requirements (10/12/17)**

For each Multifamily Mortgage, the Seller/Servicer must establish at the time of Mortgage closing a Repair Reserve, a Replacement Reserve, a Special Purpose Reserve, and a Rental Achievement Reserve to the extent required by Freddie Mac's Letter of Commitment or early rate-lock application. The Seller/Servicer must ensure that upon purchase of the Mortgage, Freddie Mac has a security interest in all amounts deposited in the Repair Reserve, Replacement Reserve, Special Purpose Reserve and Rental Achievement Reserve to further secure all of the Borrower's obligations under the Mortgage.

##### **1. Repair Reserve**

Funds deposited into the Repair Reserve may be used solely to defray the costs of required repairs to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

Funds deposited into the Repair Reserve for the purpose of undertaking Green Improvements may be used solely to defray the costs of Green Improvements to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

##### **2. Replacement Reserve**

For non-SBL Mortgages and for SBL Mortgages documented on Loan Agreement forms with a revision date of 11-02-2015 or earlier, funds deposited into the Replacement Reserve may be used solely to defray the costs of future replacements of items of real and personal property, as set forth in the Replacement Reserve Agreement or Loan Agreement.

For SBL Mortgages documented on Loan Agreement forms with a revision date after 11-02-2015, funds deposited into the Replacement Reserve may be used to defray the costs of future replacements of items of real and personal property specified in the Loan Agreement, including, if applicable, completion of Priority Repairs and PR-90 Repairs identified in the SBL Physical Risk Report, as set forth in the Loan Agreement.

For Supplemental Mortgages, no new replacement items should be permitted to be drawn from the Replacement Reserve that were not already permitted under the most senior Mortgage unless Replacement Reserve collection will increase accordingly. The Borrower and Seller/Servicer must request that the Loan Documents on the most senior Mortgage be modified to allow the increase to occur. The Borrower and Seller/Servicer must coordinate the request with the holder of the most senior Mortgage.

In all cases, this Section 39.3(a)(2) is subject to the provisions of Section 39.6(b).

##### **3. Rental Achievement Reserve**

Funds deposited into the Rental Achievement Reserve, or letters of credit securing





Borrower's obligations under a Rental Achievement Agreement or Loan Agreement must be held as continued security for Borrower's obligations under the agreement.

#### 4. Special Purpose Reserve

Funds deposited into the Special Purpose Reserve pursuant to the Loan Agreement must be held as continued security for Borrower's obligations under the Loan Agreement.

##### b. Recordkeeping (10/14/16)

The Servicer must maintain accurate and complete books and records in connection with its administration of the Repair Reserve and Replacement Reserve, Special Purpose Reserve, and Rental Achievement Agreement Reserve, including maintaining in its files every disbursement request received, together with any invoices, lien waivers, budgets, engineer's certification or other documentation received in connection with any such disbursement request.

##### c. Investment of funds (10/14/16)

Unless the Commitment or early rate-lock application specifies otherwise, the Servicer may accept only cash or a check (subject to collection) from the Borrower for deposit into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve. Funds deposited into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve must be held and invested by the Servicer in accordance with the provisions of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold and invest the funds in accordance with the provisions of Section 52.4.

##### d. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicer-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing within 90 days after the end of the Servicer's fiscal year that all Reserve collections and disbursements have been made in accordance with the applicable Reserve agreements. The Servicer must explain in writing any discrepancies from the agreements and provide a description of the steps being taken to resolve each matter.

The certification must be made using [Form 1110M, Multifamily Annual Certification Report – Servicer Only](#). Servicers must use the Multifamily Eligibility System, available at [mf.freddiemac.com/lenders/guide](http://mf.freddiemac.com/lenders/guide), to complete the form and to submit it to Freddie Mac.

The Servicer must submit the completed [Form 1110M](#) within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

### 39.4 Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier or dated on or after 07-30-2024 (10/17/24)

This Section 39.4 applies to all non-SBL Mortgages and to any SBL Mortgages with Loan Agreement forms with revision dates of 11-02-2015 or earlier or dated on or after 07-30-2024.

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See Section 39.5 for all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015 or before 07-30-2024.

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement Rider relating to repairs or other agreement involving repairs or improvements to the Property will be referred to as a “Repair Agreement.”

**a. Monitoring and timely completion of repairs (02/28/19)**

1. The Servicer must monitor the applicable completion date(s) under each Repair Agreement and work with the Borrower to ensure that all repairs are completed on a timely basis.

The Servicer must notify Freddie Mac within 10 Business Days following the Servicer's confirmation of the Borrower's completion of all repairs under a Repair Agreement.

- For all repairs except Green Improvements, this notification must be on the [Borrower Certification – Completion of Repairs](#) form and must be submitted to Freddie Mac via PRS.
- For repairs classified as a Green Improvements, this notification must be on the Green Improvements Verification Certification, which is an Exhibit to the Loan Agreement, which must be submitted to Freddie Mac via the Property Reporting System (PRS). The Servicer must collect the Green Improvements Verification Certification within 30 days of completion of the Green Improvements. The Verification Certification must provide the following:
  - The date of completion of the Green Improvements
  - The specifications of the completed Green Improvements
  - Confirmation that the Benchmarking Data Consultant uploaded current energy and water usage (Benchmarking Data) into ENERGY STAR® Portfolio Manager®, or if Portfolio Manager, is no longer available, into another benchmarking tool identified by Freddie Mac
  - If Freddie Mac no longer owns the Mortgage, the Servicer must submit the Green Improvements Verification Certification to Freddie Mac via DMS
- 2. Unless otherwise specified by Freddie Mac, the Servicer is responsible for documenting that all repairs are completed satisfactorily, including exercising the right of the lender under the Repair Agreement to hire an engineer to certify that the repairs have been completed in a good and workmanlike manner.
- 3. The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:



- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of repair to major building systems (for example, electrical, mechanical, fire protection, etc.)

The engineer must meet or exceed the qualification requirements in Section 62.8 or Section 62SBL.17, as applicable. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

4. The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:
  - A list of the items that have been completed,
  - Color photographs documenting the completed repairs,
  - The final completion date, and
  - The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner.
5. If the Servicer receives an Energy Certification from the Borrower for Green Improvements made at the Property, the Servicer must notify Freddie Mac of receipt of certification. If Freddie Mac no longer owns the Mortgage, the Servicer must submit the certification to [green\\_advantage\\_reporting@freddiemac.com](mailto:green_advantage_reporting@freddiemac.com).

If requested by Freddie Mac for Green Improvement purposes, the Servicer must deliver to Freddie Mac any utility bills, reports or documentation supporting the usage of energy and water at the Property and if available, any calculations of any Borrower savings resulting from the Green Improvements. If Freddie Mac no longer owns the Mortgage, the Servicer must submit this information to [green\\_advantage\\_reporting@freddiemac.com](mailto:green_advantage_reporting@freddiemac.com).

**b. Incomplete repairs, partially completed repairs and extension requests (10/17/24)**

If it becomes apparent to the Servicer that all required repairs will not be completed by the applicable completion date, the Servicer must work with the Borrower to determine whether an extension is appropriate, and to document that extension as required in this section.

**1. Submitting documentation for incomplete or partially completed repairs**

- a. At least 10 days prior to the applicable completion date, the Servicer must notify Freddie Mac of partial completion of repairs on the [Borrower Certification – Partial Completion of Repairs](#) form, which must be submitted to PRS. In addition, the Servicer must submit an extension request for incomplete repairs as described in



Section 39.4(b)(3) or (4), as applicable. The Servicer must add an update comment to PRS that an extension request will be submitted.

- b. If the Servicer determines that repairs will not be completed by the applicable completion date and that an extension is not appropriate, then at least 10 days prior to the completion date the Servicer must provide Freddie Mac with a detailed update in PRS of the
  - Status of the repairs,
  - Prospects for ultimate completion of those repairs,
  - Borrower's reasons for not completing the repairs in a timely manner, and
  - Servicer's recommendation for resolving the matter.

## **2. Extension requests that the Servicer is permitted to approve**

- a. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an extension of the completion date of a Repair Agreement unless one of the following applies:
  - i. The Mortgage was originated on a Note labeled "CME"
  - ii. The Mortgage was originated on a Note with a revision date on or after March 1, 2014
  - iii. The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
  - iv. The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization
- b. For an eligible Mortgage, the Servicer may approve an extension only if all of the following conditions are met:
  - i. The required repairs pose no life, health or safety issues
  - ii. The remaining repairs represent no more than the lesser of \$500,000 or five percent of the UPB
  - iii. The Borrower is making progress on required repairs, as evidenced by a recent inspection or current, dated photos and paid invoices provided by the Borrower
  - iv. There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact
  - v. The Property condition was average or better as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting



- vi. The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension
- vii. The Servicer has not previously authorized an extension of the completion date
- viii. The Mortgage:
  - Has a Risk Rating of six or less,
  - Has a UPB of less than \$30 million,
  - Is not in default,
  - Was not originated under the Acquisition Rehabilitation product, the Acquisition Upgrade product, the Moderate Rehabilitation product, or the REO purchase and stabilization product, and
  - Has no additional investors who have provided credit enhancements other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower
- ix. A supervisor or higher-level manager on the Servicer's staff approved the extension of the completion date using the [Repair/Rehab Agreement Extension/Modification Request](#) form
- c. Notwithstanding the requirements of 39.4(b)(2)(A) and (B), if the Mortgage was originated as part of the SBL program, the Servicer may approve an extension only if all of the following conditions are met:
  - i. There are no PR-90 Repairs, as identified within the Loan Agreement, or any outstanding required repairs that pose life, health, or safety issues
  - ii. The remaining repairs represent no more than five percent of the UPB
  - iii. The Borrower is making progress on required repairs, as evidenced by a recent inspection or current, dated photos and paid invoices provided by the Borrower
  - iv. There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact
  - v. The Property condition was average or better as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting
  - vi. The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension
  - vii. The Servicer has not previously authorized an extension of the completion date
  - viii. The Mortgage:



- Has a Risk Rating of six or less
  - Is not in default
- ix. A supervisor or higher-level manager on the Servicer's staff approved the extension of the completion date using the [Repair/Rehab Agreement Extension/Modification Request](#) form
- d. For a non-SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(A) and (B) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement by up to the same amount of time initially granted in the Repair Agreement, but not more than a date that is 12 months after the Origination Date of the non-SBL Mortgage. (For example, if the original completion date was 90 days following the Origination Date of the Mortgage, the Servicer may extend the completion date by no more than 90 days.)
- For an SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(C) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement up to a date that is 12 months after the Origination Date of the SBL Mortgage.
- e. For all Mortgages, the Servicer must notify Freddie Mac of any actions taken under this delegated approval within two days after the effective date of the approval by electronically submitting to Freddie Mac via DMS and updating the respective Loan Item Tracking in PRS.
- The [Repair/Rehab Agreement Extension/Modification Request](#) form
  - A copy of the approval letter that the Servicer provided to the Borrower
  - Copies of any modified loan documents

### 3. Submitting extension requests requiring Freddie Mac approval

Freddie Mac approval is required for all modifications and extensions of the Repair Agreement with respect to any Mortgage not described in Section 39.4(b)(2)(A) and (C).

If a Borrower requests an extension or modification of a Repair Agreement, the Servicer must, within five Business Days of receiving such request, take the following actions:

- Enter the extension request into Consent Request Tracker (CRT). The CRT record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
- Electronically deliver the [Repair/Rehab Agreement Extension/Modification Request](#) form, including any necessary supporting documentation via CRT or DMS.

The Servicer must charge the Borrower a nonrefundable extension/modification review fee as set forth in [Exhibit 10](#). If a fee is applicable, the Servicer must remit to Freddie Mac 50 percent of the fee and may retain the remaining 50 percent.





#### 4. Documentation of approved extensions

Within the time specified in Freddie Mac's approval of a modification or extension of a Repair Agreement, the Servicer must deliver any required documents and fees to Freddie Mac in accordance with the delivery requirements of the approval letter.

#### 5. Managing outstanding Repair items

The Servicer must manage notifications to the Borrower until the Servicer receives acceptable proof of completion for all items identified in the Repair Agreement. For Repairs not completed as or when required, Freddie Mac requires the Servicer to take the following actions:

- Within 30 calendar days following the repair due date, send a "reservation of rights" letter to the Borrower in conjunction with enforcing the Loan Documents. The Servicer must use either the [Notice of Default and Reservation of Rights \(Conventional\)](#) or the [Notice of Default and Reservation of Rights \(SBL\)](#) form, as applicable, and must work closely with Freddie Mac in handling such matters.
- Within five business days of sending the "reservation of rights" letter to the Borrower, the Servicer must provide Freddie Mac a copy of the letter via email at [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com) and upload a copy to the Document Management System (DMS). If collection of Reserve deposits for Replacement Reserves was deferred at the time of such Repair item noncompliance, the Servicer must begin collection of the Reserve deposits for Replacement Reserves. Collection of Reserve deposits for Replacement Reserves must commence not later than the second payment installment date immediately following the Repair item completion due date. The Servicer may include notice of the collection of Reserve deposits for Replacement Reserves in the "reservation of rights" letter to the Borrower or in a separate Borrower communication.

#### c. Disbursement from Repair Reserve (06/13/24)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Repair Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the Repair Agreement conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid," and if required by Seller/Servicer, valid lien waivers.





- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full.

**d. Requiring a Borrower to fund an unfunded Repair Reserve upon default (06/25/20)**

Even if a Repair Agreement did not require immediate funding of a Repair Reserve, the Repair Agreement may require the Borrower to fund the Repair Reserve upon the occurrence of an event of default under the Loan Documents. The Servicer must consult with Freddie Mac *Multifamily Asset Management, Asset Resolution* upon the occurrence of an event of default by the Borrower, and must require the Borrower to establish the Repair Reserve within the time and in the amount specified by Freddie Mac. Within 10 days following funding of the Repair Reserve, the Servicer must deliver to Freddie Mac, at the address found on the form, the original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Repair Reserve Custodial Account:

- If the Custodial Account for the Repair Reserve is held by an institution other than the Servicer, [Form 1058, Letter Agreement for Servicer's Reserve Custodial Account](#)
- If the Custodial Account for the Repair Reserve is held by the Servicer, [Form 1060, Letter Agreement for Reserve Custodial Account](#)

**e. Prohibited actions by the Servicer (09/18/14)**

The Servicer may not take any of the following actions with respect to the Repair Agreement or Repair Reserve without Freddie Mac's prior written consent:

- Charge a one-time fee in excess of the amount set forth in [Exhibit 10](#) for establishing the Repair Reserve
- Charge a fee in excess of the amount set forth in [Exhibit 10](#) (excluding travel and other reasonable expenses) for each inspection of the Property under the Repair Reserve Agreement
- Make disbursements from the Repair Reserve to any party other than the Borrower, except as permitted by Section 39.4(c)
- Require the Borrower to deposit funds into the Repair Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- Exercise the right of the lender under the Repair Reserve Agreement to perform any capital replacement
- Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any repair
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Repair Reserve upon the Borrower's default
- Approve any modifications to the Repair Agreement except as permitted by Section 39.4(b)(2)



### 39.5 Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 or before 07-30-2024 (08/15/24)

This Section 39.5 applies to all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015 or before 07-30-24. See Section 39.4 for all SBL Mortgages with Loan Agreement forms with revision dates on or before 11-02-2015 or on or after 07-30-2024.

#### a. Monitoring and completion of Priority Repairs (08/15/24)

1. In conjunction with the first annual property inspection and all subsequent property inspections, the Servicer must determine whether the Borrower has completed the Priority Repairs (including PR-90 Repairs) listed on [Form 1104, SBL Physical Risk Report](#).

Freddie Mac will create Loan Item Tracking (LIT) entries in PRS that capture the Priority Repairs and PR-90 Repairs identified on [Form 1104](#). Within 30 calendar days of deeming any Priority Repair or PR-90 Repair item to be complete, the Servicer must update the respective PRS LIT accordingly.

2. If the Servicer determines that any Priority Repair (including PR-90 Repairs) has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repair and refer the Borrower to its obligation under the Loan Agreement to complete the identified Priority Repair. If the Borrower does not respond within 30 calendar days following such Servicer notification or if the Borrower timely responds but does not provide a satisfactory Priority Repair action plan, Freddie Mac requires the Servicer to issue a “reservation of rights” letter as soon as possible, and no later than 10 business days following such Borrower inaction. The Servicer must use the [Notice of Default and Reservation of Rights \(SBL\)](#) form. Within five Business Days of sending the “reservation of rights” letter to the Borrower, the Servicer must provide Freddie Mac a copy of the letter via email at [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com) and upload a copy to the Document Management System (DMS).

The Servicer must follow up and work closely with the Borrower on any outstanding Priority Repair items and any other Life Safety Hazards until they are remediated or resolved.

3. The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:
  - The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
  - The repair is a structural repair
  - The repair consists of a repair to a major building system (for example, electrical, mechanical, fire protection, etc.)



The engineer must meet or exceed the qualification requirements in Section 62SBL.17. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third-party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

4. The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:
  - A list of the items that have been completed,
  - Color photographs documenting the completed repairs,
  - The final completion date, and
  - The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner
- b. Reserved (10/14/16)**
- c. Disbursement from Replacement Reserve Fund for Priority Repairs (10/14/16)**
  1. The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.
  2. Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Replacement Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the conditions for disbursement, then the Servicer may make the requested disbursement to
    - The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of lien waivers, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid."
    - The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full.
- d. Reserved (10/14/16)**
- e. Prohibited actions by the Servicer (10/14/16)**

The Servicer may not take any of the following actions with respect to the Replacement Reserve Fund without Freddie Mac's prior written consent:

- i. Charge a fee for establishing the Replacement Reserve Fund



- ii. Charge a fee in excess of the amount set forth in [Exhibit 10](#) (excluding travel and other reasonable expenses) for each inspection of the Property under the Loan Agreement
- iii. Make disbursements from the Replacement Reserve Fund to any party other than the Borrower, except as permitted by Section 39.5(c)
- iv. Require the Borrower to deposit funds into the Replacement Reserve Fund in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- v. Exercise the right of the lender under the Loan Agreement to perform any capital replacement
- vi. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any Capital Replacement or repair
- vii. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve Fund upon the Borrower's default

## 39.6 Replacement Reserve Servicing (06/13/24)

For the purposes of this chapter, the term “Replacement Reserve Agreement” means any Replacement Reserve Agreement, Replacement Reserve Rider to Loan Agreement, or other Loan Document establishing a Replacement Reserve, including the Loan Agreement.

### a. Funded Replacement Reserves (06/13/24)

The Servicer is responsible for authorizing releases from the Replacement Reserve and for obtaining from the Borrower copies of canceled checks, bills, receipts or invoices that are in the amount of the disbursement request and that are marked "paid" and if required by Seller/Servicer, valid lien waivers. The Seller/Servicer must also document that all capital replacements are completed satisfactorily, including exercising the right of the lender under the Replacement Reserve Agreement to hire an engineer to certify that the capital replacements have been completed in a good and workmanlike manner.

### b. Disbursements for additional capital replacement items (07/01/14)

#### 1. Mortgages for which the Servicer is permitted to approve additional disbursements

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement unless one of the following applies:

- The Mortgage was originated on a Note labeled “CME”
- The Mortgage was originated on a Note with a revision date on or after March 1, 2014



- The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

## 2. Types of additional disbursements the Servicer may approve

Subject to the limitations in this Section 39.6(b), the Servicer may authorize a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement. The only permissible additional items are as follows:

- a. A capital replacement item which was identified and made part of the projected expenditures in the property condition report
- b. A capital replacement item that the Servicer reasonably determines is critical to the continued operation of the Property ("critical replacement"), if each of the following conditions is satisfied:
  - i. The Servicer has determined that the Property's cash flow is insufficient to cover the cost of the critical replacement, and has taken one of the following actions:
    - Confirmed that Replacement Reserve balances and projections are reasonably adequate to cover future disbursements for capital replacements listed in the Replacement Reserve Agreement, or
    - Required the Borrower to amend the Replacement Reserve Agreement to increase the amount of future monthly deposits to cover the original capital replacements as well as the critical replacement, if the Servicer has determined that the disbursement for the critical replacement will cause the amount of the Replacement Reserve to fall below an adequate level. The Servicer must prepare the applicable amendment and submit it to Freddie Mac for its review, approval and signature.
  - ii. The Servicer must retain supporting documentation and copies of its approvals in the Mortgage File for all disbursements made pursuant to Section 39.6(b)(2).
- c. The Servicer may only authorize a disbursement for a critical replacement described in Section 39.6(b)(2) when all of the following additional conditions are met:
  - i. The Property secures a Mortgage that has a Risk Rating of six or less and is not in default.
  - ii. The disbursement is for capital replacement items that are upgrades which add value to and prevent an adverse condition at the Property.
  - iii. A supervisor or higher-level manager on the Servicer's staff has approved the disbursement for the additional capital replacement items.
  - iv. No credit enhancement has been provided by any person or entity that is not a party to the Mortgage.



If any one or more of the conditions described in this Section 39.6(b)(1) or (2) is not met, the Servicer must seek Freddie Mac's approval, as described in Section 39.6(b)(2)(d) below.

- d. Freddie Mac approval is required for any Replacement Reserve disbursement request for any capital replacement item that is not specifically listed in the Replacement Reserve Agreement nor permitted under Section 39.6(b)(1) or (2) (a) – (c). For all such disbursement requests, the Servicer must electronically deliver to Freddie Mac a written request for such modification using the [General Servicing Request](#) form, attaching any necessary supporting documentation.

**c. Requiring a Borrower to fund an unfunded Replacement Reserve (05/01/14)**

If the Replacement Reserve Agreement did not require immediate monthly funding of the Replacement Reserve, the Agreement may nonetheless require the Borrower to begin to make deposits to the Replacement Reserve upon the occurrence of certain conditions specified in the agreement. The Servicer must consult with Freddie Mac upon the occurrence of any of the specified conditions and must require the Borrower to commence funding of the Replacement Reserve when specified by Freddie Mac. Within 10 days following funding of the Replacement Reserve, the Servicer must deliver to Freddie Mac an original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Replacement Reserve Custodial Account:

- If the Custodial Account for the Replacement Reserve is held by an institution other than the Servicer, [Form 1058, Letter Agreement for Servicer's Reserve Custodial Account](#)
- If the Custodial Account for the Replacement Reserve is held by the Servicer, [Form 1060, Letter Agreement for Reserve Custodial Account](#)

**d. Unfunded Replacement Reserves with required capital expenditures (04/30/19)**

1. If the Borrower is required to spend a minimum or specified amount on capital expenditures annually, or an average amount per year over a specified period of time, and a Replacement Reserve Custodial Account is not in place, the Servicer must monitor compliance with the expenditure requirements in accordance with the Replacement Reserve Agreement and may accept either of the following items as evidence of compliance:
  - An operating statement for the reporting period, certified by the Borrower, that includes sufficient details to confirm the capital expenditures were made, or
  - An itemized list, certified by the Borrower, of capital expenditures for the reporting period identifying the item, cost for the item, and total paid for capital expenditures for the period.
2. The Servicer must monitor the capital expenditures in accordance with the Replacement Reserve Agreement. If the Servicer determines the Borrower is not in compliance with the capital expenditure requirements, the Servicer must work with the Borrower to resolve the noncompliance. The Servicer must notify Freddie Mac *Multifamily Asset*





*Management, Asset Performance and Compliance* if any of the following conditions is present:

- a. The Property secures a Mortgage that has a Risk Rating greater than six or is in default
- b. The Property condition had a rating of
  - Less than Average on the Freddie Mac rating scale, if the last inspection took place before 2012, or
  - Four or five if the last inspection took place in 2012 or later
- c. There are significant outstanding Deferred Maintenance issues, or the Borrower is out of compliance in an amount that exceeds 20% of the required expenditures
- d. There are additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower, or Affiliates of the Borrower)
- e. The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt (or taxable) Multifamily bond securitization

**e. Prohibited actions by the Servicer (09/18/14)**

The Servicer may not take any of the following actions with respect to the Replacement Reserve without Freddie Mac's prior written consent:

1. Charge a one-time fee in excess of the amount set forth in [Exhibit 10](#) for establishing the Replacement Reserve
2. Charge a fee in excess of the amount set forth in [Exhibit 10](#) (excluding travel and other reasonable expenses) for each inspection of the Property under the Replacement Reserve Agreement
3. Make disbursements from the Replacement Reserve to any party other than the Borrower
4. Require the Borrower to deposit funds into the Replacement Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application, except as authorized under Section 39.6(b)
5. Exercise the right of the lender under the Replacement Reserve Agreement to perform any capital replacement
6. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any capital replacement
7. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve upon the Borrower's default





**f. Mortgages with terms longer than 10 years (12/12/14)**

1. For a Mortgage with a loan term longer than 10 years, the Replacement Reserve requirements in the Loan Documents may provide that the lender may adjust the Replacement Reserve amount following receipt of an updated property condition report. If the Loan Documents provide for such an adjustment, then on the 10th anniversary of the Origination Date of the Mortgage, the Servicer must conduct a re-evaluation of the adequacy of the Replacement Reserve.
2. If the Loan Documents permit the lender to adjust the Replacement Reserve amount, then the Servicer must take one of the following actions:
  - If the Loan Documents provide that the lender may obtain a property condition report and either charge the cost to the Borrower or deduct the cost from the Replacement Reserve Fund, then the Servicer must obtain an updated property condition report conducted in accordance with the requirements of Chapter 62.
  - If the Loan Documents do not contain a provision authorizing the lender to obtain a property condition report at the Borrower's expense, then the Servicer must conduct a property inspection in accordance with the requirements of Chapter 40 for annual inspections; however, third-party fee inspectors are not permitted.
3. Within 15 days following receipt of the updated property condition report or property inspection, as applicable, the Servicer must electronically submit a recommendation on the General Servicing Request to Freddie Mac regarding the need for adjustments to the Replacement Reserve amount.
4. Unless the Loan Documents provide otherwise, the Servicer must deduct from the Replacement Reserve Fund an amount sufficient to pay all reasonable fees and expenses charged by the property condition consultant or Servicer.

**39.7 Rental achievement Reserve Servicing (09/18/14)**

For the purposes of this section, any Property performance achievement agreement, such as a rental achievement guaranty, a Rental Achievement Escrow Agreement – Cash or Rental Achievement Agreement – Letter of Credit, or Rental Achievement Rider to Loan Agreement which a Borrower or Guarantor has executed with respect to a Mortgage, will be referred to as a “rental achievement agreement”.

If a rental achievement agreement exists with respect to the Property, the Servicer must require the Borrower to establish any required Reserve or post any required letter of credit within the time and in the amount specified by Freddie Mac. A rental achievement guaranty executed in connection with the Mortgage may include rental achievement provisions tied to a reduction in the amount of the base guaranty or other provisions. See Section 11.2 for the Seller/Servicer's obligations with respect to the approval and monitoring of Letters of Credit.



**a. Monitoring of Property performance; requests for release or reduction of Reserve funds (09/18/14)**

The Servicer must monitor the performance of the Property under the terms of the rental achievement agreement. If the Borrower or Guarantor submits a request for release of the Reserve or letter of credit, or a reduction in the base guaranty, the Servicer must:

- Collect all data required to analyze the request under the terms of the applicable document
- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the [Release/Extension of Monetary Collateral Request](#) form, and attaching any necessary supporting documentation

If the rental achievement agreement includes an earn-out expiration date, the Servicer must monitor the earn-out expiration date, and must contact Freddie Mac, via email at least 30 days prior to the earn-out expiration date, providing the Servicer's discussion of the Property's performance in relation to the performance standard. In the email, the Servicer must advise Freddie Mac whether:

- The Servicer expects the Property to meet the performance standard prior to the earn-out expiration date,
- The Borrower or Guarantor is likely to request an extension of the earn-out expiration date, and
- The Servicer recommends any action by Freddie Mac.

**b. Extension of earn-out expiration date (09/18/14)**

If the Borrower or Guarantor requests an extension of the earn-out expiration date, the Servicer must advise the Borrower or Guarantor in writing that Freddie Mac is under no obligation to consider or agree to such a request. If Freddie Mac does agree to an extension, it may charge a fee as set forth in [Exhibit 10](#).

The Servicer must submit any request for an extension of the earn-out expiration date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower or Guarantor of the reasons that the Property will not meet the performance standard by the earn-out expiration date
- The Servicer's recommendation regarding the extension request



**c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)**

If Freddie Mac approves the addition, release or reduction of the Reserve or letter of credit, or a substitution of collateral, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, reduction or substitution. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, reduction or substitution.

**d. Failure of Property to meet performance standard; application of collateral (10/31/12)**

If the earn-out expiration date passes and the Borrower or Guarantor, as applicable, has not demonstrated that the Property has met the performance standard specified in the rental achievement agreement, then

- Freddie Mac may elect to apply the Reserve or the proceeds of the letter of credit to reduce the outstanding principal balance due under the Note, or to make a claim against the Guarantor, as applicable. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take any action described above, the Servicer must maintain the Reserve or letter of credit, as applicable, and any guaranty will remain in place.

**e. Prohibited actions by the Servicer (10/31/12)**

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Rental Achievement Reserve or letter of credit
- Extend any earn-out expiration date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve or letter of credit proceeds
- Otherwise amend the terms of the applicable agreement

### **39.8 Special Purpose Reserve Servicing (10/14/16)**

If the Loan Agreement for a Mortgage requires a Special Purpose Reserve, the Servicer must require the Borrower to establish the Reserve within the time and in the amount specified by Freddie Mac.



**a. Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)**

The Servicer must monitor the performance of the Property under the terms of the Loan Agreement relative to the Special Purpose Reserve. If the Borrower submits a request for release of the Reserve, the Servicer must

- Collect all data required to analyze the request under the terms of the Loan Agreement
- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the [Release/Extension of Monetary Collateral Request](#) form, and attaching any necessary supporting documentation

**b. Extension of termination date (10/14/16)**

If the Borrower requests an extension of the termination date for the Special Purpose Reserve, the Servicer must advise the Borrower in writing that Freddie Mac is under no obligation to consider or agree to such a request.

The Servicer must submit any request for an extension of the termination date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower of the reasons that the Property will not meet the performance standard by the termination date
- The Servicer's recommendation regarding the extension request

**c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/14/16)**

If Freddie Mac approves the addition, release or reduction of the Reserve, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, or reduction. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, or reduction.

**d. Failure of Property to meet performance standard; application of collateral (10/14/16)**

If the termination date passes and the Borrower has not demonstrated that the Property has met the performance standard specified in the Loan Agreement for the release of the Special Purpose Reserve, then



- Unless prohibited by the Loan Agreement, Freddie Mac may elect to apply the Reserve to reduce the outstanding principal balance due under the Note. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take the action described above, the Servicer must maintain the Reserve.

**e. Prohibited actions by the Servicer (10/14/16)**

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Special Purpose Reserve
- Extend any termination date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve
- Otherwise amend the terms of the applicable agreement

**39.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (12/15/22)**

Capitalized terms used but not defined in this section have the meanings given to them in Section 17.4(a).

During the Interim Phase of a Mod Rehab Mortgage the Servicer disburses funds periodically at the request of the Borrower to reimburse renovation expenses; this disbursement is subject to holdbacks as identified in the Disbursement Agreement. The Servicer must disburse draws only upon receipt of documentation sufficient to indicate that the renovation work has been properly completed. A general overview of the draw process is as follows:

- To initiate the disbursement of funds, the Borrower submits a Disbursement Request to the Servicer.
- The Servicer requests that the Architectural Consultant inspect the Property.
- Based on the Architectural Consultant's inspection, the Servicer's review of the Borrower's Disbursement Request, and confirmation that the Mortgage meets the performance metrics as identified in the Disbursement Agreement, the Servicer sends a Disbursement Certification to Freddie Mac.
- Upon receipt of the funds from Freddie Mac, the Servicer forwards the funds to the Borrower.
- The Servicer submits the completed draw package described below to Freddie Mac within five Business Days after the Servicer submits the Disbursement Certification.

The Servicer may not submit a subsequent Disbursement Certificate or draw package to Freddie Mac unless Freddie Mac has approved the previous draw package.



The Borrower's responsibilities are found in the Disbursement Agreement and the Servicer's responsibilities are found in the Disbursement Servicing Agreement, each of which is executed at loan origination.

**a. Servicer responsibilities (12/15/22)**

As more fully detailed in the Disbursement Servicing Agreement, the Servicer must:

1. Evaluate each Disbursement Request from the Borrower (which consists of fully executed AIA Forms G702 and G703, or their equivalent) to confirm that work was adequately completed and properly represented by the request
2. Review construction monitoring reports for accuracy, completeness and compliance with Section 63.4
3. Review all change orders to ensure that revisions do not impact the scope or quality of renovations and to ensure that sufficient funds remain to complete the project
4. Confirm that the Property has met any performance metric requirement set forth in the Disbursement Servicing Agreement, typically related to net rental income
5. Submit a Disbursement Certification (the form of which is attached as an exhibit to the Disbursement Servicing Agreement) to [mfla@FreddieMac.com](mailto:mfla@FreddieMac.com) and [MF\\_PhysicalRisk@FreddieMac.com](mailto:MF_PhysicalRisk@FreddieMac.com) upon verification of the request
6. Within five Business Days after submitting the Disbursement Certification, submit the completed draw package to [MF\\_PhysicalRisk@FreddieMac.com](mailto:MF_PhysicalRisk@FreddieMac.com). The draw package must include the following:
  - A cover letter that summarizes
    - Disbursement Request (including AIA Forms G702/G703 or their equivalent)
    - Budget status
    - Renovation progress
    - Construction monitoring report
    - Status of the performance metric(s)
  - Copy of the Disbursement Certification
  - Title update
  - Construction monitoring report meeting the requirements of Section 63.4
  - Current rent roll



7. Promptly upon receipt of the disbursement funds from Freddie Mac, and no more than 10 Business Days after receipt of the Disbursement Request, make the requested disbursement to the Borrower

**b. Draw calculation (05/05/17)**

Projects are generally subject to a funding source split between Freddie Mac and Borrower equity. Additionally, the full portion of each draw funded by Freddie Mac is subject to a retainage. The amounts of the Freddie Mac/Borrower equity split, and retainage are detailed in the Disbursement Agreement. The amount shown in the Disbursement Certification must reflect the amount owed to the Borrower, net of the equity portion and the retainage.

Sample Draw Calculation

- The Borrower submits a Disbursement Request in the amount of \$1,300,000
- The Servicer confirms that the amount requested is appropriate and submits the Disbursement Certification to Freddie Mac. The amount submitted to Freddie Mac is the amount requested in the Disbursement Request less the Borrower's equity share of 20 percent and the retainage amount of five percent:
  - Borrower equity is subtracted first:  $\$1,300,000 \text{ less } (1,300,000 * 0.20) = 1,040,000$
  - Retainage of five percent is then subtracted:  $\$1,040,000 \text{ less } (1,040,000 * 0.05) = \$988,000$
- The Servicer's Disbursement Certification requests the net amount of \$988,000 for funding by Freddie Mac

**c. Release of retainage and holdback amounts (05/05/17)**

Upon substantial completion of the renovation project and Borrower submission to the Servicer of the documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the retainage amount, less a \$250,000 holdback.

Upon final completion of the renovation project, including completion of all remaining punch list items, and Borrower submission to the Servicer of final documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the final \$250,000 holdback balance.

**39.10 Servicing a Mortgage with a Green Up® or a Green Up Plus® loan option (02/28/19)**

Capitalized terms used but not defined in this section have the meanings given to them in the Glossary.

Green Improvements are treated as repairs. Funds earmarked for Green Improvements are included in the Repair Reserve, and the requirements of Sections 39.1 and 39.3 apply. The Servicer must monitor and report on Green Improvements in accordance with the requirements of Section 39.4.



**a. Benchmarking Metrics (02/28/19)**

1. As a requirement for a Green Up® or Green Up Plus® loan option, the Benchmarking Data Consultant must collect, input and monitor the energy and water usage for the Property in Portfolio Manager®, the online tool located on the ENERGY STAR® website of the EPA, to provide Benchmarking Metrics to Freddie Mac.
2. The Borrower, through the Benchmarking Data Consultant, will be required under the Loan Documents to provide Benchmarking Metrics generated through Portfolio Manager for the Property. The Benchmarking Metrics include:
  - ENERGY STAR® Score
  - Energy Use Intensity
  - EPA 1-100 Water Score
  - Water Use Intensity
3. Freddie Mac will monitor submission of the Benchmarking Metrics through Portfolio Manager and will notify the Servicer of any metrics not received by the date specified in the Loan Agreement. The Servicer must then contact the Borrower and request that the Borrower, through the Benchmarking Data Consultant submit the required Benchmarking Metrics.
4. The benchmarking process is as follows:
  - The Borrower sets up an account in Portfolio Manager
  - The Servicer assists the Borrower in gaining access to the information to be inputted for the Property by the Green Consultant in Portfolio Manager
  - The Benchmarking Data Consultant inputs on-going Property consumption data into Portfolio Manager
  - The Borrower, through the Benchmarking Data Consultant, submits the annual Benchmarking Metrics to Freddie Mac via Portfolio Manager
5. The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer, with respect to the on-going benchmarking process, are found in the Green Improvements Rider attached to the Loan Agreement.

**b. Borrower, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (02/28/19)**

1. In accordance with Section 65.2, the Green Consultant must input historical Property energy and water consumption information into Portfolio Manager. To enable the Borrower to gain access to the Property information in ENERGY STAR® Portfolio Manager®, the Servicer must:



- Ensure the Borrower has a Portfolio Manager account
- Provide the Borrower's Portfolio Manager user name, email and the name of the Property to the Green Consultant

The Green Consultant must send a connection request to the Borrower through Portfolio Manager. Once the Borrower accepts the connection request, the Green Consultant will share the Property information with the Borrower.

2. The Borrower will be responsible for ensuring the Benchmarking Data Consultant has access to the Property information in Portfolio Manager to begin inputting energy and water consumption usage in accordance with the timeframes provided in the Loan Agreement.
3. Prior to the Origination Date, the Seller/Servicer must follow up with:
  - The Borrower and the Green Consultant to ensure that the Borrower has access to the Property information which has been inputted by the Green Consultant in Portfolio Manager and
  - The Borrower to confirm that the Benchmarking Data Consultant has been given access to the Property information in Portfolio Manager and is able to input energy and water consumption usage

# Multifamily Seller/Servicer Guide

## Chapter 40

### Assessments and Other Post-purchase Reporting



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## **40.1 General information regarding assessments and other post-purchase reporting (10/19/23)**

### **a. General information regarding assessments (10/19/23)**

Freddie Mac requires the Servicer to perform periodic assessments of each Property to assist Freddie Mac in preventing Mortgage defaults and losses through the early detection and resolution of concerns about a Mortgage.

The Servicer must complete the assessment in a sufficiently detailed manner to provide a framework for Freddie Mac to monitor the performance of the Mortgage. The Servicer must complete all sections of each assessment using the best information available. If the Servicer is unable to accurately complete any section or obtain any required document, the Servicer must provide a satisfactory explanation for the incomplete section or missing document with the assessment submission.

To accomplish competently the objectives of each assessment, the Servicer must employ experienced and trained personnel. Minimum training and experience requirements for all inspectors are set forth in Section 40.13. Section 40.14 sets forth training and experience requirements for the employees and contractors of a fee inspector company (FIC). The Servicer is responsible for the completed assessment submission regardless of who performed the inspection and will be held responsible for material mistakes, misrepresentations or omissions in the assessment submission as outlined in Section 40.10.

### **b. Additional Seller/Servicer post-purchase reporting for Mortgages purchased for Securitization (03/03/17)**

For Mortgages purchased for Securitization, the Seller/Servicer must provide additional reporting prior to Securitization. These requirements are outlined in Section 40.15.

### **c. Additional reporting requirements for Special Product Type Mortgages including SBL Mortgages (03/03/17)**

Special Product Type Mortgages, including SBL Mortgages, have additional or different reporting requirements, as outlined in Section 40.16. Except as provided in Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

## **40.2 Types of assessments and timing of assessments (10/17/24)**

### **a. Types of assessments (10/19/23)**

During any period in which Freddie Mac holds a Mortgage, Freddie Mac requires the following:

1. The Annual Financial is a year-end operating statement analysis in which the Servicer reviews the Property's financial condition for the most recent calendar year to identify any risks associated with the Property's financial performance. The Annual Financial includes an analysis of the Property's financial condition, the historical performance of the Mortgage and other pertinent data related to the Mortgage. Section 40.2(b) describes the use and timing of the Annual Financial submissions:



- A-CREFC-MF prepared for multifamily loans in accordance with the Commercial Real Estate Financial Council Investor Reporting Package (CREFC IRP)
- A-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

**Annual Financial interest rate cap/derivative income and expense reporting for Floating-Rate Mortgages:** Notwithstanding anything to the contrary contained in the CREFC IRP, any payments (income) received pursuant to interest rate caps or other derivatives must be excluded from “other income.” Any expenses related to replacement interest rate caps or other derivatives must be excluded from “other expenses.” Accordingly, the reported debt service must reflect the sum of uncapped interest, principal and replacement rate cap escrow amounts less any income received from interest rate caps or other derivatives.

2. The Quarterly Financial is a quarterly submission in which the Servicer reviews the Property’s financial condition for the most recent quarter to identify any risks associated with the Property’s financial performance. Section 40.2(b) describes the use and the timing of the Q-CREFC submissions; Section 40.16 provides additional Quarterly Financial instructions for Special Project Type Mortgages.
  - Q-CREFC-MF prepared for multifamily loans in accordance with the CREFC IRP
  - Q-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

**Quarterly Financial interest rate cap/derivative income and expense reporting for Floating-Rate Mortgages:** Same as Annual Financial reporting. See final paragraph of Section 40.2(a)(1) above.

3. A Mid-Year Rent Schedule is required for any SBL Mortgage originated on a Loan Agreement with a revision date on or after 11/08/2016. For the purposes of this Chapter 40, the Mid-Year Rent Schedule consists of a rent roll dated within five calendar days of the end of the second calendar quarter (or the end of the second quarter of the Borrower’s fiscal year if the Borrower has adopted fiscal year financial reporting).

The Servicer must submit the Mid-Year Rent Schedule and the following three data elements via the Property Reporting System (PRS) by August 31 of each year:

- The effective date of the rent schedule date
  - The physical occupancy percentage
  - The total actual rent for each loan in PRS (total actual rent received for occupied units; no income should be counted for vacant units).
4. The Loan Management Form (LMF) is an analysis of the Borrower’s compliance with the Loan Documents intended to highlight any potential problems associated with the Borrower or the loan.



Beginning with 2024 submissions, Freddie Mac will automatically add LMFs for every portfolio loan in PRS with a due date of 12/31 of that year. If at any time during the year the Servicer is made aware of any condition that merits reporting per Section 40.6(a), the Servicer must complete the LMF assessment and submit it via PRS. If there is a subsequent event that requires notification per Section 40.6(a), the Servicer must provide notification of the subsequent event by sending an email to [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com). Each December, the Servicer must evaluate all loans that have an LMF with a “Due” status and submit the remaining LMFs for their portfolio(s). The Servicer may use the bulk LMF assessment submission for multiple submissions.

5. For purposes of this chapter only, rent roll shall mean a document certified by the Borrower that contains the following key data points:
  - a. Tenant name
  - b. Unit number or some other physical identification point
  - c. Contract rent
  - d. Lease start date
  - e. Lease end date
  - f. Commercial units, where applicable
  - g. Market rent (required for vacant units, as available for occupied units)
  - h. Subsidy amount (if any), as available
  - i. Past due balance (if any), as available
  - j. Additional fees or charges (i.e., pet, utilities, etc.), as available
  - k. Unit type, name or description, as available
  - l. Unit size, as available
6. The property inspection report is prepared after the physical inspection of the Property and documents the condition of the Property. When used in this chapter, the term “property inspection report” refers to either:
  - The Annual Inspection Form (AIF), which applies during any period in which Freddie Mac holds the Mortgage, or
  - The MBA Property Inspection Form, for securitized loans.

The AIF uses the same format as the MBA Property Inspection Form, but the Servicer must submit it to Freddie Mac via the Property Reporting System (PRS).





For all types of assessments, the Servicer must use the appropriate version of the form to complete the assessment. In completing the assessment, the Servicer must provide information addressing all of the issues set forth in this chapter. For any assessment issue that does not have a corresponding field in the applicable form, the Servicer must provide a response in the comments section of the form. All assessments must be submitted to Freddie Mac via the Property Reporting System (PRS). If a Servicer discovers that an assessment has not been submitted as required by the chart below, the Servicer must contact Freddie Mac at [MF\\_Asset\\_Perf@freddiemac.com](mailto:MF_Asset_Perf@freddiemac.com) with details about the loan and assessment.

**b. Conditions requiring an assessment and timing of assessments (10/17/24)**

Beginning with the Quarterly Financial Submissions for second quarter 2017, the QIE assessment format will no longer be in use. The Q-CREFC-MF or Q-CREFC-HC, as applicable, will be required.

Beginning with the 2018 Annual Financial Submissions, the AIE assessment format will no longer be used. The A-CREFC-MF or A-CREFC-HC, as applicable, will be required.

Assessment Type	Conditions requiring an assessment	Timing of the Assessment
A-CREFC-MF or A-CREFC-HC, as applicable	A Mortgage with a UPB > \$250,000	<ul style="list-style-type: none"> <li>March 31 – a Mortgage with a Risk Rating &gt; 6, or a Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages</li> <li>May 31 – all other Mortgages, including SBL Mortgages</li> </ul>
Q-CREFC-MF or Q-CREFC-HC, as applicable, Non-SBL Mortgages	<ul style="list-style-type: none"> <li>A Mortgage with a UPB &gt; \$250,000</li> <li>A Mortgage with an Origination Date on or after 01/01/2003</li> </ul>	<ul style="list-style-type: none"> <li>May 31 (first quarter) – <ul style="list-style-type: none"> <li>A Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages</li> <li>A Mortgage with a Risk Rating &gt; 6</li> </ul> </li> <li>August 31 (second quarter)</li> <li>November 30 (third quarter)</li> </ul>



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
Q-CREFC-MF or Q-CREFC-HC, as applicable, SBL Mortgages	A Mortgage with a Risk Rating > 6 as of the applicable quarter-end	<ul style="list-style-type: none"> <li>May 31 (first quarter)</li> <li>August 31 (second quarter)</li> <li>November 30 (third quarter)</li> </ul>
Mid-Year Rent Schedule – SBL Mortgages	An SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016	<p>Within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's fiscal year), Unless otherwise notified by Freddie Mac, August 31.</p> <p>See Section 40.2(a)(3).</p>
LMF Applicable during any period in which Freddie Mac holds the Mortgage	<ul style="list-style-type: none"> <li>A Mortgage with a UPB &gt; \$1 million, or</li> <li>A Mortgage with a Risk Rating &gt; 6, or</li> <li>A Mortgage held by Freddie Mac and subordinate to a securitized loan, or</li> <li>A Mortgage where the Servicer has specific concerns regarding the Borrower's compliance with the original Loan Documents</li> </ul>	<ul style="list-style-type: none"> <li>See Section 40.6(c).</li> </ul>
Property inspection report – Non-SBL Mortgages	A Mortgage with a UPB ≤ \$2 million	<p>The calendar quarter end of the biennial anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> <li>March 31,</li> <li>June 30,</li> <li>September 30, or</li> <li>December 31</li> </ul>



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
	<ul style="list-style-type: none"> <li>• A Mortgage with a UPB &gt; \$2 million, or</li> <li>• A Mortgage with a Risk Rating &gt; 6, or</li> <li>• A Mortgage held by Freddie Mac and subordinate to a securitized loan</li> </ul>	<p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> <li>• March 31,</li> <li>• June 30,</li> <li>• September 30, or</li> <li>• December 31</li> </ul> <p>For a Mortgage with a Transfer of Ownership or subordinate financing, a property inspection report is due at the time of the transfer or subordinate financing.</p> <p>For a Mortgage with a tax lien, a property inspection report is due when the tax lien is filed.</p>
Property inspection report – Mod Rehab Mortgages	Mod Rehab Mortgage	<p>The calendar quarter end of the anniversary of the date of the post-construction analysis report. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> <li>• March 31,</li> <li>• June 30,</li> <li>• September 30, or</li> <li>• December 31</li> </ul>



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
Property inspection report – SBL Mortgages	A Mortgage with a Risk Rating $\leq 6$	<p>First report will be due the calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> <li>• March 31,</li> <li>• June 30,</li> <li>• September 30, or</li> <li>• December 31</li> </ul> <p>Thereafter, report will be due the calendar quarter end on the biennial anniversary of the Origination Date, unless otherwise notified by Freddie Mac</p>
	A Mortgage with a Risk Rating $> 6$	<p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> <li>• March 31,</li> <li>• June 30,</li> <li>• September 30, or</li> <li>• December 31</li> </ul>

Notes to above table:

- Annual inspections may be required on SBL Mortgages if the Property has an outstanding hazard loss, or if the prior year inspection resulted in property condition issues for which the Borrower hasn't provided updates in a timely manner.
- Subject to Section 40.12, Freddie Mac will not require a Servicer to prepare a Quarterly Financial for a Mortgage secured by a Property owned by a Cooperative.
- When submitting assessments for a Property owned by a Cooperative using the A-CREFC assessment format, the Servicer must complete the Excel® [Co-op Assessment Supplemental Form](#) and submit it via PRS. The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of [mf.freddiemac.com](http://mf.freddiemac.com).



- When submitting assessments for a Property securing a Bond Credit Enhancement Mortgage using the A-CREFC assessment format, the Servicer must complete the Excel® [Bond ADS Supplemental Form](#) and submit it via PRS (the Bond ADS Supplemental Form is not required for quarterly submissions). The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of [mf.freddiemac.com](http://mf.freddiemac.com).

Due dates for the submission of any assessment type may be otherwise specified in the Letter of Commitment, any Servicing Agreement, or by other written communication from Freddie Mac.

For any assessment submitted via PRS in connection with a securitized Mortgage for which Freddie Mac is the master servicer, the due date will be the earlier of the date specified in the applicable sub-servicing agreement or the date set forth in the above table.

For Mortgages with a Transfer of Ownership, subordinate financing, or a tax lien filing, an LMF and a property inspection report are not required if the Servicer has submitted an LMF and a property inspection report within the previous 180 days and the Servicer does not know of any material changes with respect to the condition of the Property or the Borrower's compliance with the Loan Documents.

**c. Requesting an adjustment of the Annual Financial due date (04/30/19)**

The Servicer may contact Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via PRS to request an adjustment of the Annual Financial due date if:

- The Borrower's fiscal year end would prevent the Servicer from submitting the Annual Financial by June 30 or other date required by Freddie Mac.
- The Mortgage was for the acquisition of the Property, and the purchase occurred so late in the preceding calendar year that the number of months of data available for review would prevent the Servicer from making a meaningful evaluation.

**d. Reporting to senior Mortgage servicers (03/03/17)**

If the Servicer is reporting Annual Financial or Quarterly Financial information to Freddie Mac with respect to a Supplemental Mortgage related to one or more securitized senior lien Mortgages, the Servicer is authorized to provide that same information to the Servicer(s) of the securitized senior Mortgage(s).

### **40.3 Completing and submitting the Annual Financial (04/27/18)**

This section applies during any period in which Freddie Mac holds a Mortgage.

**a. Source documents for the Annual Financial (03/03/17)**

The Servicer must conduct a review of the Property's income and expense statement to determine the Property's financial condition for the most recent calendar year and identify any risks associated with the Property's financial performance.

The Property's income and expense statement must be for the immediate preceding fiscal year. If the Borrower cannot provide an income and expense statement with 12 months of data, the



Servicer may accept a partial-year statement from the Borrower. For non-SBL Mortgages, the assessment may be waived if less than six months of data is available from the Borrower. For SBL Mortgages, the assessment may be waived if less than three months of data is available from the Borrower.

The rent roll must be no older than six months prior to the Annual Financial submission date.

**b. Completing the Annual Financial (04/27/18)**

Prior to submission of the Annual Financial, the Servicer must enter all Property income and expense items into the appropriate fields on the template. Generally the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement. For detailed instructions on completing the A-CREFC templates, see the [PRS CREFC Individual Desk Reference](#), which can be found at [mf.freddiemac.com](http://mf.freddiemac.com), or any other such documentation as Freddie Mac may provide.

**c. Submitting the Annual Financial (04/27/18)**

The Servicer must submit all of the following components of the Annual Financial via PRS in order for Freddie Mac to deem the submission of the Annual Financial to be complete:

**1. The completed A-CREFC template**

The Servicer must provide additional reporting for Seniors Housing Mortgages, Bond Credit Enhancement Mortgages, Mortgages secured by Cooperative (Co-op) Properties and Properties currently deemed unstabilized by Freddie Mac in PRS along with the assessment. All of these additional reporting templates can be found at [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset).

**2. Annual statement of income and expense for the Property for the most recent fiscal year, certified by the Borrower (the signature of the Borrower is sufficient)**

**3. Current rent roll, identifying commercial units where applicable, certified by the Borrower**

For the purposes of the Annual Financial, a rent roll is considered to be current if it is dated no more than six months prior to the original due date. For example, if the Annual Financial due date is June 1, the rent roll is considered current if dated on or after December 1 of the prior year.

**40.4 Completing and submitting the Quarterly Financial (04/27/18)**

This section applies during any period in which Freddie Mac holds a Mortgage.

**a. Source documents for the Quarterly Financial (03/03/17)**

To complete a Quarterly Financial, the Servicer must conduct a review of the Property's financial condition for the most recent fiscal year to quarter end, as requested, and identify any risks associated with the Property's financial performance.



**b. Completing the Quarterly Financial (04/27/18)**

Generally, the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement when completing the applicable Q-CREFC template.

For detailed instructions on completing the Q-CREFC templates, see the [PRS CREFC Individual Desk Reference](#), which can be found at [mf.freddiemac.com](http://mf.freddiemac.com), or any other such documentation as Freddie Mac may provide.

**c. Submitting the Quarterly Financial (12/14/17)**

The Servicer must submit the following components of the Quarterly Financial in order for Freddie Mac to deem the submission of the Quarterly Financial to be complete:

- The completed template
- For a Mortgage with a Freddie Mac Funding Date
  - Prior to March 1, 2014, a year-to-date or trailing 12-month, quarter-ending property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
  - On or after March 1, 2014, a trailing 12-month property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
- The current rent roll, identifying commercial units where applicable, certified by the Borrower (the signature of the Borrower is sufficient)

For the purposes of the Quarterly Financial, a rent roll is considered to be current if it is dated no more than two months prior to the original due date. For example, if the Quarterly Financial due date is August 31, the rent roll is considered current if dated on or after June 30.

The Servicer must submit the second and third quarter reporting through PRS. Additional quarterly reporting requirements for Special Product Type Mortgages are found in Section 40.16.

**40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)**

This section applies to any SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016.

**a. Source documents for the Mid-Year Rent Schedule (04/27/18)**

The Servicer must receive and review a rent roll for the Property (statement of rents), identifying any commercial units (as applicable), to determine current physical occupancy.

**b. Submitting the Mid-Year Rent Schedule (04/27/18)**

The Servicer must submit the Mid-Year Rent Schedule dated within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's





fiscal year) to PRS by August 31 annually. To deem the submission complete, the Servicer must also enter, via PRS, the following data elements:

- Effective date of the Rent Schedule
- Physical occupancy rate
- Total actual rent

## 40.6 Completing and submitting the Loan Management Form (LMF) (10/19/23)

This section applies during any period in which Freddie Mac holds a Mortgage.

### a. Evaluating the Mortgage and determining when an LMF is required (10/19/23)

To determine when submission of an LMF is necessary, the Servicer must evaluate the Borrower's compliance with Loan Documents, including whether any of the following conditions exist:

1. The Borrower or Property is in non-monetary default with respect to the Loan Documents.
2. There is unauthorized rehabilitation or construction underway at the Property.
3. The Borrower or Borrower Principal is the subject of a bankruptcy or insolvency proceeding.
4. There are problems or issues associated with any Reserve (*e.g., Reserve payments have not been made when due, Reserve is insufficient, etc.*).
5. The Servicer cannot certify that the UCC filings are current.

### b. Completing and submitting the LMF (04/30/15)

To complete an LMF, the Servicer must enter the Borrower's compliance information into the appropriate fields on the LMF. For detailed instructions on completing the form, see the [PRS Loan Management Form \(LMF\) Desk Reference](#), which can be found at [mf.freddiemac.com](http://mf.freddiemac.com), or other such documentation that Freddie Mac may provide.

The Servicer must upload the completed LMF to PRS in order for Freddie Mac to deem the submission of the LMF to be complete.

### c. Timing of submission of the LMF (10/19/23)

Servicers must submit the LMF within 10 Business Days of determining that any of the conditions in Section 40.6(a) above have occurred regardless of the due date in PRS. If not submitted earlier in the year, the LMF must be submitted annually on or before December 31<sup>st</sup> via PRS. See also Section 40.2(b).

## 40.7 Conducting the inspection of the Property (10/17/24)

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement or Loan Agreement Rider



relating to repairs or other agreement involving repairs or improvements to the Property will be referred to as a “Repair Agreement.”

The Servicer must conduct a property inspection and complete and submit the applicable property inspection report.

The AIF uses the same format as the MBA Property Inspection Form.

The Servicer must perform a comprehensive property inspection, including:

- An evaluation of property management, including specifics regarding the property manager's tenure at the Property, on-site staffing levels, and adequacy of management's response to any changing trends in market occupancy and rental rates
- The current condition of the Property and any trends, including the condition of the site features, building exteriors, interior common spaces, amenities, building systems, vacant and Down Units, and the number of rent-ready vacant units
- Providing specificity for any declining conditions around the property, such as excessive properties for sale in immediate areas, multiple dark buildings, or excessive vacancies. Also note, any specific ingress or egress issues at the Property and any changes to adjoining land uses or major thoroughfares impacting the Property
- Any early warning signs of risk, including evidence of any Life Safety Hazards, significant Deferred Maintenance, especially if related to moisture or Mold issues; environmental issues such as lead-based paint; incomplete Operational Repairs; Repair Agreement compliance; evidence of crime or vandalism; or failure to comply with local laws

The Servicer must request copies of any violations or other notices received regarding compliance with local laws. In addition, the Servicer must request information from the property manager regarding any property condition concerns to enable the Servicer to understand the cause of any problem and the Borrower's plans to remedy the situation.

**a. Unit inspection requirements and minimum number of units to inspect (10/17/24)**

The units inspected must be randomly selected by the inspector, not by the property manager or the Borrower. The units inspected must also include a cross-section of unit types and locations, including the following:

- Each of the major unit types
- Units on different floors, including top floor and below-grade units, or grade-level units if there are no units below grade
- For Properties with numerous buildings, units in a sampling of various buildings across the Property
- Representative sample of occupied and vacant units



Taking into account the cross-section of unit types and locations described above, the inspector must inspect at least the following number of units:

- Occupied and vacant units:
  - 5 percent of total occupied and vacant units, with a minimum of **five units** and a maximum of 15 units
  - For SBL Mortgages where the Property has a total of 50 units or less: 5 percent of total occupied and vacant units, with a minimum of **three units** and a maximum of 15 units
- Down Units: 100 percent (Note: If there is a significant number of Down Units due to large renovation project or hazard loss, inspector may choose to inspect a representative sampling of Down Units)
- Commercial space: 100 percent

The inspector must conduct additional occupied and vacant unit inspections, as needed, to determine whether any problems detected in units or specific buildings are restricted to the specific units/buildings or pervasive throughout the Property.

**b. Requirements for photographs (10/14/16)**

Photographs are essential to convey the condition of the Property. Freddie Mac's requirements for photographs are as follows:

1. The photographs must illustrate any emerging or existing risks, inform the viewer of the trend of the Property and show a representative sample of the Property materials and conditions.
2. The photographs must include views of
  - All Life Safety Hazards
  - Samples of each type of Deferred Maintenance, any Down Units and items requiring significant capital expenditure
  - Moisture/Mold issues or environmental concerns
  - Samples of interiors of typical unit types
  - Grounds (including parking lots, sidewalks, street views and signage)
  - Typical building exterior (including windows, balconies and exterior stairs)
  - Building systems (for example, boiler, roof and HVAC)
  - Amenities, interior common areas, clubhouse, maintenance shop and office, if applicable
  - Commercial space, if applicable



- Significant repairs and capital improvements completed subsequent to the previous inspection (including, for SBL Mortgages, all Priority Repairs and PR-90 Repairs identified in the [Form 1104, SBL Physical Risk Report](#))
3. Photographs must be compressed and added to the inspection submission. All photographs must include identifying captions.

**c. Guidance for photographs (12/12/14)**

Taking into account the above requirements, the size of the Property and the characteristics of the Property, the Servicer should submit 20 to 25 photographs with the inspection submission.

For Properties with fewer than 100 units, limited common areas and/or few amenities, fewer photographs may be sufficient to meet the requirements in Section 40.7(b). If the Servicer believes that fewer than 20 photographs are sufficient for a Property, the Servicer must provide a justification in the comment section of the inspection submission.

**d. Assessing the physical condition of the Property and any risk issues (10/17/24)**

The Servicer must assess the physical condition of the Property and any risk issues as follows:

1. In evaluating the Property's physical condition, the Servicer must assess the current condition and trend of all major components of the Property. The Servicer must include in its assessment:
  - Incomplete items in any Repair Agreement,
  - Items in any Repair Agreement that were completed subsequent to the previous inspection,
  - Incomplete Operational Repair items,
  - Deferred Maintenance items,
  - Imminent Life Safety Hazards and Potential Life Safety Hazards, as defined in the Glossary,
  - Environmental issues and any moisture/Mold concerns,
  - Capital improvements that have been made subsequent to the last inspection and/or plans for future capital improvements at the Property,
  - Status of Deferred Maintenance items from most recent prior inspection, and
  - Any concerns from the property manager regarding site and/or building components
2. The Servicer must estimate and report the cost to remediate any Deferred Maintenance, Life Safety Hazards, environmental issues and moisture or Mold issues. Sources for these cost estimates include:



- Bids received by the property manager,
- Cost projections by the property manager, and
- The inspector's estimate based on experience or industry cost standards

If the estimated sum for remediation of all Deferred Maintenance items is greater than \$10,000, or if there are Life Safety Hazards, environmental issues or moisture or Mold issues identified during the property inspection, the Servicer must notify the Borrower within 30 days following the inspection of the need to undertake corrective action to address the specific identified risk. The notice must distinguish Imminent Life Safety Hazards from Potential Life Safety Hazards. Imminent Life Safety Hazards pose the highest risk to tenants, (see the Glossary).

3. The Servicer must confirm that the Borrower has received any notices regarding Deferred Maintenance. Additionally, if the estimated sum for remediation of the Deferred Maintenance or other identified issues is greater than \$25,000 or the Deferred Maintenance represents a significant deficiency affecting the structure or value, or other identified issues represent an Imminent Life Safety Hazard for the tenants, then the Servicer must follow up in a timely manner until such risks have been remediated or resolved. Quarterly reporting will be required to PRS Loan Item Tracking (LIT) for Properties that have:
  - A property condition rating of 4 or 5
  - Deferred Maintenance totaling more than 10 percent of the UPB
  - An identified Imminent Life Safety issue, or
  - A situation that may require additional monitoring (at the discretion of Freddie Mac)
4. For an SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/02/2015 where the Servicer determines that any Priority Repair or PR-90 Repair on [Form 1104, SBL Physical Risk Report](#), has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repairs and PR-90 Repairs and refer Borrower to its obligation under the Loan Agreement to complete the identified repairs. The Servicer must work with the Borrower until each PR- 90 Repair consisting of an Imminent Life Safety Hazard is remediated or resolved. The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection.

Freddie Mac will create LIT entries in PRS that captures Priority Repairs and PR-90 Repairs identified on the [Form 1104, SBL Physical Risk Report](#). Within 30 calendar days of deeming any Priority Repair item or PR-90 Repair item complete, the Servicer must go into PRS and update the respective LIT accordingly.

5. For all loans:
  - Any item listed as a PR-90 Repair that has not been completed must be classified as an Imminent Life Safety Hazard on the inspection.
  - Any item listed as a Priority Repair that has not been completed must be classified as a Potential Life Safety Hazard on the inspection unless it is the cause of ongoing



substantive damage to the asset, in which case it must be classified as an Imminent Life Safety Hazard.

6. For loans with HUD involvement, the Servicer must obtain a copy of the latest HUD REAC (Real Estate Assessment Center) Inspection and review it as an additional data point to the current inspection. The Servicer must discuss any material differences with the Borrower. If there are items included in the REAC inspection that a Freddie Mac inspection did not identify, the Servicer must explain why such items were not addressed in the AIF comments. The Servicer must include information regarding the latest REAC inspection score and note any material differences between the two inspections within the General Comments section of the AIF assessment.
7. The Servicer must work closely with Freddie Mac in handling adverse matters. If the Borrower does not fully remediate the identified adverse matters or provide an action plan acceptable to Lender within 30 days from the Servicer's notifications, the Servicer must issue a notice of default letter as soon as possible, and no later than 10 Business Days after such Borrower inaction. The Servicer must use the [Notice of Default and Reservation of Rights \(Conventional\)](#) or the [Notice of Default and Reservation of Rights \(SBL\)](#) form.

The Servicer must evaluate such noncompliance, including the loan risk and proposed action. Within 10 Business Days, the Servicer must notify the Freddie Mac Surveillance team via email at [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com) to detail the Deferred Maintenance, potential risk and proposed action.

The Servicer must forward a copy of any reservation of rights letter and notice of default to Freddie Mac via email at [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com).

8. The Servicer may consider obtaining a limited scope property inspection report for the specified areas of concern. The terms of the Loan Documents will determine whether the Servicer may charge the Borrower for the cost of the property inspection report. The follow-up should take into account the nature of the risk. The Servicer must provide a copy of any limited scope property inspection and related decisions made based on the Servicer's review of the inspection to the Freddie Mac Surveillance team as follows:
  - If there is an open LIT for the property condition, provide an update in PRS
  - If there is not an open LIT for the property condition, send an email to [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com)
9. Notwithstanding the above, the Servicer must promptly and, in any case, not later than 10 Business Days from submitting the AIF assessment into PRS, notify Freddie Mac via email at [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com) if any of the following property related issues occur and have not been previously reported to Freddie Mac:
  - Property has a very low physical occupancy which is defined as less than 65% and the very low physical occupancy has not been previously reported
  - Property has had an unauthorized change in property manager
  - Deferred Maintenance is estimated at greater than 15 percent of the UPB





- There is a property condition rating of 4 or 5
- Property has a total of greater than 10 percent of Down Units
- Property has any catastrophic conditions that require immediate action
- Property has any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow

The Servicer must retain a copy of this communication for its records.

10. If the Servicer submits an assessment inspection with a property condition rating of 4 or 5, the Servicer must begin collection of Reserve deposits for Replacement Reserves if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement. The Servicer must timely notify the Borrower in writing of such collection requirement and provide a copy of the notice to Freddie Mac. For an SBL Mortgage originated on a Loan Agreement form with a revision date prior to 07-31-2024, the Servicer must use the [Notice of Default and Reservation of Rights \(SBL\)](#) form. Collection of Reserve deposits for Replacement Reserves must begin no later than the second payment installment date immediately following the assessment inspection submission. Deposits for Replacement Reserves will be disbursed pursuant to the terms of the related Replacement Reserve Agreement.

**e. Assessing moisture or Mold issues during the inspection (02/28/19)**

**1. Special Moisture or Mold Inspection**

See Section 8.3(b) and (c) for information regarding when Freddie Mac may require a Special Moisture or Mold Inspection, and for the parameters of such an inspection.

**2. Increased Scrutiny for Moisture or Mold**

See Section 8.3(b) for information regarding when Freddie Mac may require the Servicer to inspect a Property using the Increased Scrutiny for Moisture or Mold protocols described below.

If a Property is subject to Increased Scrutiny for Moisture or Mold Issues, during the annual assessment inspection, the Servicer must

- Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
- Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
- Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation





- Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas and all areas previously identified with significant moisture or Mold issues
- Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
- Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

### **3. Standard moisture and Mold inspection requirements**

For all Properties that are not subject to a Special Moisture and Mold Inspection or Increased Scrutiny for Moisture or Mold Issues, as a part of the inspection, the Servicer must:

- Search for visual or olfactory evidence of moisture or Mold issues in each area identified as part of the inspection
- Make inquiries of the property owner, manager or other knowledgeable property staff regarding past and current water intrusion; potentially damaging leaks; known Mold issues; and tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
- Inspect areas where water intrusion or leaks were reported
- Identify any defective building condition that would likely lead to future water intrusion or leaks
- Provide comments to describe any moisture or Mold issues and recommend further action, including conducting a Special Moisture or Mold Issues Inspection (see Section 8.3(c) or Section 8SBL.3(c), as applicable)

#### **f. Assessing the property management company (12/12/14)**

The property management company is a key component of the success of the Property, and the Servicer must evaluate the property management company's performance, including a review of the following:

- Company experience, property manager's experience and length of time at this site and on-site staffing levels
- Whether routine maintenance matters are appropriately addressed
- Leasing status, concessions, occupancy and adequacy of management's response to any significant changes in market occupancy or market rental rates



- Operations & maintenance (O&M) plan compliance, lead-based paint (LBP) compliance, Moisture Management Plan (MMP) compliance and income compliance reports for income-restricted Properties

**g. Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)**

The inspector must provide an overview and assessment of the Property's immediate neighborhood, including details on specific ingress or egress issues at the Property. It is the inspector's responsibility to:

- Drive through the neighborhood, identify trends and determine if there are any changes to adjoining land uses,
- Identify changes in nearby thoroughfares or major employers that could impact the performance of the Property, and
- Comment on any new construction in the immediate area.

**40.8 Timing of the property inspection and the inspection report (10/19/23)**

The Servicer must submit the inspection report no later than two calendar months after the date of the actual inspection, even if the inspection report has a later due date. For example, if the inspection took place on April 21, the inspection report must be submitted no later than June 21, even if the inspection report due date would otherwise be June 30.

Servicers can submit the inspection report earlier than the due date, as long as the submission date is within two calendar months of the actual inspection date.

For all Mortgages held by Freddie Mac, if a Servicer submits the AIF in an earlier quarter than the due date, Freddie Mac will change future AIF due dates to the quarter in which the AIF was submitted. For example, if the AIF is due September 30, 2024 and is submitted by June 30, 2024, Freddie Mac will move the 2025 AIF due date from September 30 to June 30, 2025 to make sure that the timing between inspections is maintained at approximately 12 months.

If a property condition report performed on the Property is more current than the most recent inspection, the inspection date of the most recent property condition report can be used as the date to set the new anniversary date for the next property inspection. For example, if the last property inspection was April 15, 2025 and another property condition report was completed on December 15, 2025 in conjunction with the origination of a supplemental loan on the Property, the Servicer can request in PRS that the due date for the next inspection be moved to December 31, 2026. The Servicer should confirm in their PRS due date change request that the property condition report has been uploaded into DMS.

**40.9 Completing and submitting the inspection; retention of inspection documentation (04/27/18)**

To complete an inspection submission, the Servicer must enter the Borrower's property inspection information into the appropriate fields on the inspection submission. If the Property is a Seniors Housing Property, the Servicer must complete the additional Seniors Housing Supplement tab.



For detailed instructions on completing the form, see the [Annual Inspection and Loan Management Forms Desk Reference](#), which can be found at [mf.freddiemac.com](http://mf.freddiemac.com), or any such documentation that Freddie Mac may provide.

During any period that Freddie Mac owns the Mortgage, the Servicer must submit the following components of the AIF into PRS in order for Freddie Mac to deem the submission of the AIF to be complete:

- The completed AIF
- The current rent roll, identifying commercial units where applicable, certified by the Borrower or an individual or entity (which may include the property manager) authorized by the Borrower to execute the certification on the Borrower's behalf (the signature of the Borrower or designee is sufficient). If an individual or entity other than the Borrower provides the certificate, the Servicer must obtain and retain in the Mortgage File a copy of the Borrower's authorization for that certifying individual or entity to execute the certificate on behalf of the Borrower

For the purposes of the AIF, a rent roll is considered to be current if it is dated no more than two months prior to or after the inspection date. For example, if the Property was inspected on May 10, the rent roll is considered current if dated from March 10 through July 10.

If the Servicer is submitting an AIF for a Seniors Housing Property, the Servicer must submit the following additional items via PRS for Freddie Mac to deem the submission of the AIF to be complete:

- Completed Seniors Housing Supplement sections of the AIF
- Copies of licenses or certificates and any reports by regulating agencies
- Copies of any violations cited by any regulatory agency and notices of any fines

The Servicer must retain copies of the completed inspection submission, all attachments and any other documentation that supports the summary information shown on the inspection submission, including correspondence with the Borrower regarding any identified risk issue.

#### **40.10 Late, incomplete or unacceptable assessments; penalties and enforcement (06/13/24)**

Freddie Mac considers an assessment to be late if not received in complete form on or before the due date of the assessment or if, for an AIF, the assessment is not submitted within 60 days of the Property inspection date.

If the Servicer submits the assessment without all of the necessary attachments, the assessment will continue to have a status of Due and will be late after the due date in PRS until the Servicer submits all necessary items.

If Freddie Mac, in its sole discretion, determines an assessment to be unacceptable, Freddie Mac will identify such assessment deficiencies and require the Servicer to resubmit a corrected, complete assessment and/or to re-inspect the Property as soon as practicable after such determination. Freddie Mac will consider an assessment unacceptable if such assessment: (i) materially misrepresents, misstates or conceals information about the condition of the Mortgaged Property that



would otherwise be properly disclosed pursuant to industry-accepted multifamily property inspection standards; and/or (ii) fails to meet the requirements set forth in the Guide.

The Servicer must diligently and in good faith remedy any such identified deficiencies. In doing so, the Servicer must keep Freddie Mac apprised of its efforts, including actions to be taken and related timing, by sending updates to [MF\\_Surveillance@freddiemac.com](mailto:MF_Surveillance@freddiemac.com).

The following penalties are payable to Freddie Mac for: (i) late or incomplete submission of an assessment, or (ii) submission of an unacceptable assessment:

Complete assessment received during the first month following due date month	\$1,000
Complete assessment received during the second month following due date month	\$2,500
Complete assessment not received by the end of the second month following due date	\$5,000
Submission by a Servicer of an unacceptable assessment	\$25,000
Submission by a Servicer of an unacceptable assessment more than one time	\$50,000

The Servicer must pay any penalty assessed against it within 10 Business Days of Freddie Mac's request. If a Servicer fails to comply with any of its assessment/inspection obligations pursuant to this Chapter 40, including the failure to timely remit to Freddie Mac any penalty assessment, the Servicer will be subject to: (i) increased or targeted audits related to the Servicer's quality and control standards; and/or (ii) disciplinary action(s) "with cause" (as described in Chapter 4).

#### **40.11 Obligation to review and verify the General Loan Information (02/18/21)**

During any period in which Freddie Mac holds a Mortgage, the Servicer must review, no less than annually, the General Loan Information (GLI) displayed in the Property Reporting System (for example, Property name and total units). If any GLI data is incorrect, the Servicer must submit proposed changes via email noting such changes to [MF\\_Asset\\_Perf@freddiemac.com](mailto:MF_Asset_Perf@freddiemac.com).

#### **40.12 Freddie Mac's rights (12/12/14)**

In addition to other rights and remedies set forth in the Guide, Freddie Mac reserves the right, in its sole discretion, to:

- Require more frequent assessments
- Request the Seller/Servicer to submit to Freddie Mac the following:
  - Copies of all tax returns filed by the Borrower, within five days after receipt of tax returns from the Borrower
  - Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent that such information is available)



to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)

- With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request
- Reject unsatisfactory inspectors, including FICs
- Perform its own assessment (the property inspection and/or any analysis) at the Servicer's expense if the Servicer fails, when required, to perform an assessment or to submit an assessment in accordance with the requirements of this chapter
- With respect to Mortgages secured by a Property owned by a Cooperative, require one or more of the following:
  - A current maintenance roll
  - A statement of income and expenses for a Cooperative Borrower's operation of the Property
  - The most recent approved annual operating budget
  - The most recent capital expense study/plan

#### **40.13 Inspector requirements (10/19/23)**

##### **a. General inspector requirements for all Mortgages (06/25/20)**

The Servicer must retain qualified inspection staff within its asset management department to inspect Properties securing Freddie Mac Mortgages. Under certain circumstances, the Servicer may use other qualified personnel to perform inspections, such as loan production staff or third-party inspectors, in accordance with the requirements in Sections 40.14. All inspectors must meet the following requirements, as well as the specific requirements in 40.13(b):

- Know Freddie Mac's Guide requirements relating to inspections
- Be able to make independent judgments on the condition of the Property
- Have sufficient multifamily real estate knowledge and experience to assess general functionality and maintenance of the Property, and to conduct a property inspection as described in Section 40.7.

The property inspector cannot be the originator of the Mortgage, unless the Servicer ensures that there is no Equity Conflict of Interest for the Mortgage originator and that the Mortgage originator is able to make an independent, unbiased assessment of the condition of the Property. The Servicer must retain adequate documentation with the property file to justify this determination.

The appraiser who conducted the Appraisal when the Mortgage was originated may not perform the physical property inspection for an assessment.



**b. Specific inspector requirements (10/19/23)**

Beginning with all inspections with a PRS submission year of 2024, Freddie Mac requires inspectors to have at least the following specific experience and training based on the level of risk.



Mortgage Characteristics	Eligible Inspector
Mortgage is not on the CREFC Watchlist at the time the inspection is scheduled <u>or</u> the Mortgage's Risk Rating is 6 or less	1. Industry Trained Inspector, or 2. Certified Inspector, or 3. Exempt Inspector
Mortgage is on the CREFC Watchlist at the time the inspection is scheduled, <u>or</u> the Mortgage's Risk Rating is > 6	1. Certified Inspector, or 2. Exempt Inspector
All Mortgages with Significant Repairs and/or Replacements	1. Certified Inspector, or 2. Exempt Inspector
All affordable housing loans originated in the TAH program, and/or with property-based HUD Section 8 involvement, regardless of CREFC Watchlist or Mortgage's Risk Rating	Exempt Inspector at least every other inspection
All Mortgages for Properties that are older than 40 years from the current year and haven't had a renovation (see below) in the prior 20 years from the current year	Exempt Inspector at least every other inspection

Notes:

1. An Industry Trained Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,
- Completed at least 25 multifamily asset inspections under supervision by a Certified or Exempt Inspector, and
- At least one year of experience in analyzing the physical and/or financial condition of commercial real estate assets

2. A Certified Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,





- Completed more than 50 multifamily inspections comparable to Freddie Mac's property inspections, and
  - At least two years' experience performing multifamily inspections comparable to Freddie Mac's property inspections
3. An Exempt Inspector:
- Has at least five years' experience performing multifamily inspections comparable to Freddie Mac's inspections and has completed more than 100 of such inspections, or
  - Meets the qualifications for a property condition consultant set forth in Section 62.8 or Section 62SBL.17, as applicable
4. Renovation Criteria – Properties over 40 years old will not require an Exempt Inspector if the date of the renovations is less than 20 years from the current year and all of the following criteria are met:
- The documented property renovations amount to at least \$10,000/unit
  - At least 75% of units were renovated
  - Renovations include updates to at least two major building systems (electrical, heating, ventilation, air conditioning, plumbing, fire protection, elevators roofs, etc.)

**c. Waiver of inspector requirements (03/03/17)**

If the Servicer determines that an inspector on its staff is the most qualified individual to inspect a particular Property, but that person does not meet the experience requirements in Section 40.13(b), the Servicer may allow the inspector to perform that inspection. However, the Servicer must retain adequate documentation with the property file to justify this determination. The Servicer may use this waiver on an exception basis when warranted, not on an ongoing basis. Freddie Mac reserves the right, in its sole discretion, to determine that a Seller/Servicer may not continue to exercise this waiver.

**d. Guidance for a quality control program for staff inspectors (12/12/14)**

Freddie Mac recommends that the Servicer establish an inspector quality control (QC) program to ensure that inspections completed by staff and/or third-party fee inspector company (FIC) inspectors are accurate, reliable and in compliance with Freddie Mac's requirements.

**e. Servicer conflicts of interest and required independent inspections (06/25/20)**

The property inspector must not have an Equity Conflict of Interest, as defined in Section 2.25. If there is a Seller/Servicer-Level Owner Equity Conflict of Interest and/or an Employee-Level Owner Equity Conflict(s) of Interest with respect to all employee(s) who could perform the inspection, an independent third-party fee inspector company must perform the physical inspection, regardless of the Risk Rating or CREFC Watchlist status of the Mortgage.



#### 40.14 Third-party fee inspector company requirements (06/25/20)

##### a. Restrictions on the use of a third-party fee inspector company (06/25/20)

The Servicer may not engage an FIC to conduct any inspection for a Property securing a Mortgage that is held by Freddie Mac and that has a current Risk Rating greater than six. However, for other inspections, the Servicer may use an FIC that meets all Freddie Mac inspector and FIC requirements if the FIC has no ownership interest in the Borrower or other conflict of interest with the Borrower. For the purpose of determining a conflict of interest, the Servicer should apply the Equity Conflict of Interest standards set forth in Section 2.25, as if the FIC were the Employee-Level Owner or the Seller/Servicer Level Owner, as applicable.

The Servicer is responsible for working with the FIC to ensure inspectors have the minimum requirements per Section 40.13. The Servicer is ultimately responsible for the accuracy of all information included in the inspection, whether or not the Servicer performed the inspection directly.

##### b. FIC acceptability (05/31/12)

Freddie Mac does not select, hire or approve any specific FIC for the performance of physical property inspections for assessments. However, Freddie Mac does reserve the right to refuse to accept an assessment for which the property inspection was performed by an FIC or inspector that Freddie Mac deems unacceptable. Freddie Mac will maintain, on [FreddieMac.com](http://FreddieMac.com), the [Multifamily Restricted Vendor List](#). If an FIC appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that FIC for future Freddie Mac assessments until notified otherwise by Freddie Mac. The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable vendors do not prepare reports for Multifamily and will constitute “Confidential Information” as defined in Section 2.8.

An FIC may not at any time represent itself to third parties as being approved by Freddie Mac.

Freddie Mac may revoke the Servicer's general right to use an FIC for physical property inspections for assessments if the Servicer does not administer the selection and use of FICs in a manner that ensures compliance with all Freddie Mac requirements.

An FIC may employ contract workers who meet the inspector requirements and follow all inspection requirements contained in this chapter.

#### 40.15 Additional Seller/Servicer reporting requirements for non-SBL Mortgages prior to Securitization (04/30/19)

For any non-SBL Mortgage scheduled for Securitization, the Seller/Servicer must submit all documentation via DMS with a notice to [MF\\_Asset\\_Perf@freddiemac.com](mailto:MF_Asset_Perf@freddiemac.com). The Seller/Servicer must provide all Borrower and Property financial data as presented by the Borrower. No analysis of the data is required. The Loan Documents may permit the Seller/Servicer to assess a late charge if the Borrower does not submit the documentation listed below within a specified time. The Seller/Servicer may retain 100 percent of this late charge.

The Seller/Servicer must submit, in an electronic format acceptable to Freddie Mac, the following documentation:



1. A rent roll, a statement of income and expenses for the Borrower's operation of the Property, and a statement of changes in financial position and balance sheet, as follows:
  - a. Except for Mortgages secured by a Property owned by a Cooperative, within 30 days after the end of each calendar quarter following purchase:
    1. Current rent roll dated no earlier than the date five days prior to the end of such quarter
    2. Income and expenses for the Borrower's operation of the Property either
      - For the 12-month period ending on the last day of such quarter, or
      - If, at the end of such quarter, the Borrower and any Affiliate of the Borrower have owned the Property for less than 12 months, for the period commencing with the first full month of operations following the acquisition of the Property by the Borrower or its Affiliates and ending on the last day of such quarter.
  - b. Within 100 days after the end of each fiscal year:
    1. Annual statement of income and expenses for the Borrower's operation of the Property for that fiscal year
    2. Statement of changes in financial position of the Borrower relating to the Mortgaged Property for that fiscal year
    3. Balance sheet showing all assets and liabilities of the Borrower relating to the Mortgaged Property as of the end of that fiscal year and a profit and loss statement for the Borrower
    4. Accounting of all security deposits held pursuant to all leases meeting the requirements of the Loan Documents

If the Loan Documents have been modified to allow the Borrower more than 90 days to deliver the documents set forth above, the Seller/Servicer must deliver the documents within five days after receiving them from the Borrower.
  - c. At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
    1. Current rent roll
    2. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
    3. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
2. Other documentation



Upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:

- a. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
- b. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
- c. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

#### **40.16 Reporting for Special Product Type Mortgages (04/14/22)**

The following Mortgages are considered "Special Product Type Mortgages" for the purposes of this chapter:

- SBL Mortgages
- Value-Add Mortgages
- Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS
- Mod Rehab Mortgages
- MHC Mortgages with MHC Tenant Protections

Except as modified by this Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

##### **a. SBL Mortgages (03/03/17)**

Additional documentation requirements for SBL Mortgages prior to securitization will be limited to the following:

- At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
  - a. Current rent roll
  - b. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
  - c. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents



- d. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
- e. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
- f. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

**b. Value-Add Mortgages (09/30/20)**

The Servicer must submit the Annual Financial and Quarterly Financial assessments for a Value-Add Mortgage as outlined in Sections 40.2(a) and 40.2(b).

In addition, starting with the end of the first quarter after the Origination Date (unless the end of the quarter is within one calendar month of the Origination Date), and continuing every quarter thereafter until the loan has paid off, the Servicer must report on renovation progress and rental conditions at the Property via the **Value-Add Reporting** LIT. The report is due within one month after the close of the quarter. The Servicer must submit the following documentation:

- **Form 1028, Value-Add Monitoring Form**

A version of [Form 1028](#) customized by Freddie Mac for each Property will be attached to the LIT within 45 days of the Freddie Mac Funding Date and must be used for all reporting requirements. The copy available at [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset) is for informational purposes only and should not be used for reporting. This completed form must be submitted in its original Excel format.

In the event there are errors in the form, corrections should be requested via the **Value-Add Reporting** LIT. Freddie Mac will make form corrections as needed.

The reporting options available (and explained in more detail in the *Help Me Choose* menu in the form) are:

- Quarterly update – work has not commenced
- Quarterly update – work has commenced
- Quarterly update – post renovation completion monitoring
- Close-out

- **Borrower Quarterly Certification, Value-Add Transaction**

A copy of the certification was included in the original Loan Documents. This certification must be fully executed by the Borrower and must include all relevant attachments as defined in the certification.



In addition to the Value-Add Reporting LIT, the Servicer must use the **Construction Completion Date – Value-Add** LIT to document the Value-Add completion date. Upon completion of the renovation, [Form 1028](#) must be submitted to this LIT – using the *Close-out* option – with the following documentation (which, except for the first bullet, are defined further in the Rider to [Multifamily Loan and Security Agreement Value-Add Transaction](#)):

- Certification of substantial completion by the Architect of Record using AIA Form G-704 (if applicable)
- Engineer's certificate
- Final and unconditional lien waiver from the general contractor
- Evidence of Compliance with Laws
- Evidence of Minimum Expenditure Requirement
- Other Certificates and Items as detailed in the Rider to [Multifamily Loan and Security Agreement Value-Add Transaction](#)

Any additional comments regarding these documents should be made on [Form 1028](#).

In the event close-out documentation is being submitted concurrently with quarterly reporting, then two Form 1028s must be submitted – one to the **Construction Completion Date – Value-Add** LIT using the “Close-out” reporting option, and the other to the **Value-Add Reporting** LIT using the “Quarterly update – post renovation completion monitoring” reporting option.

All reporting must reflect trailing 12-month financial statements, unless indicated otherwise on [Form 1028](#).

With respect to the AIF described in Section 40.7, the Servicer must address the status of each Value-Add component described in the Value-Add Schedule of Work that was included in the final loan package in the “Repairs Verification” tab of the AIF and provide a representative number of photographs. Once the work is completed, the AIF must be performed by an individual meeting the qualifications of either a Certified or Exempt Inspector as identified in Section 40.13(b); an engineer/architect or off-cycle site visit will not be necessary.

#### c. **Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)**

In conjunction with the requirements described in Sections 40.3 and 40.4, the Servicer must submit the following items for Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS:

- The appropriate Q-CREFC Assessment template with financial spreads provided on a trailing 12-month basis (instead of year-to-date annualized)
- Most recent construction or engineering report, as available, added as an attachment (unless already provided to Freddie Mac)





- The Excel® Unstabilized Monitoring Form, completed as specified in Section 40.3(c), when submitting assessments using the Q-CREFC or A-CREFC assessment format, except for Value-Add Mortgages, which require the use of [Form 1028](#).

The Excel® [Unstabilized Monitoring Form](#) can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of [mf.freddiemac.com](http://mf.freddiemac.com).

The Servicer must submit a Quarterly Assessment for the first, second and third quarter reporting to Freddie Mac through PRS by May 31, August 31 and November 30.

**d. Mod Rehab Mortgages (05/05/17)**

In addition to the requirements described in Section 40.2(b), the Servicer must submit various reports and documentation to Freddie Mac when disbursing funds periodically to reimburse renovation expenses. See Section 39.9 for a description of these requirements.

**e. MHC Mortgages with MHC Tenant Protections (04/14/22)**

In addition to the requirements described in Section 40.2(b), to validate Borrower's compliance with the MHC Tenant Protections, the Servicer must:

1. Submit the "Borrower's Certificate - MHC Tenant Protections" through Loan Item Tracking (LIT) in PRS no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date
2. Conduct an annual audit of the residential leases with the Applicable MHC Residents and any other MHC Tenant Protection Document(s) that contain the MHC Tenant Protections, to confirm:
  - A. The MHC Tenant Protections are included in the MHC Tenant Protections Document(s)
  - B. The applicable MHC Tenant Protection Document(s) have been executed by the Applicable MHC Residents; and
  - C. The Applicable MHC Residents are existing residents of the Property

If the Borrower has elected to (i) incorporate the MHC Tenant Protections in the MHC rules and regulations and (ii) deliver to each Applicable MHC Resident an MHC Tenant Protections Notification as described in Guide Section 22.2(p), then in lieu of item B above, the Servicer must conduct an audit of the MHC Tenant Protections Notifications to confirm they include all the MHC Tenant Protections and were correctly addressed to the Applicable MHC Residents.

3. In connection with any audit conducted under this Section 40.16(e)(2):
  - A. The Servicer must request electronic copies of the residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications no more than 10 days after the first anniversary of the Origination Date, and





thereafter no more than 10 days after each successive anniversary of the Origination Date

- B. The Servicer must randomly select residential leases and/or Applicable MHC Residents chosen for the audit and cannot include residential leases and/or Applicable MHC Residents from a prior annual audit unless all residential leases and/or Applicable MHC Residents have already been audited
- C. The Servicer must review at least five percent, but no greater than 20 residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications
- 4. Upon completion of the applicable annual audit required under Section 40.16(e)(2) above, the Servicer must submit, through LIT in PRS, the related Chief Servicing Officer (CSO) Certification (MHC Tenant Protections - Compliance) found on [mf.freddiemac.com](https://mf.freddiemac.com) at <https://mf.freddiemac.com/lenders/asset/#ServicerSpecialRequestForms> certifying as to the status of Borrower's compliance with the MHC Tenant Protections. The Servicer must submit the CSO Certification no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date.

If the Servicer certifies to the Borrower's "substantial compliance" with the MHC Tenant Protections on any Mortgage, the Servicer will be required to provide a written status update to Freddie Mac every six months addressing the Borrower's efforts to obtain executed copies of the MHC Tenant Protections Document(s) from all Applicable MHC Residents until such time as the Borrower has fully complied with the applicable requirements. The status updates must be submitted through LIT in PRS.

#### **40.17 Mortgages with Required Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)**

In addition to the other requirements described in this chapter, to validate the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement, the Servicer must submit through the Loan Item Tracking (LIT) in the Property Reporting System (PRS):

- Within 15 Business Days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), the Borrower's Affordability Certification evidencing the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement
- Within 30 days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), a notice to Freddie Mac of the Borrower's failure to comply with the Required Rent Restrictions Rider to the Loan Agreement, together with Servicer's calculation of any related noncompliance fee
- Within 60 days after the initial reporting date and each anniversary thereafter (or 30 days after the related cure period, if such cure period is available), the [Chief Servicing Officer Certification \(Required Rent Restrictions - Compliance\)](#) form, certifying that the Servicer has validated the



Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement and, if applicable, has calculated any related noncompliance fee

- As soon as practicable upon request by Freddie Mac or any regulatory body having regulatory authority over Freddie Mac, any other information pertaining to the loan as may be specified in the request, and copies of any leases or other data received and used by the Servicer to: (i) confirm Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement, and (ii) calculate any noncompliance fee

# Multifamily Seller/Servicer Guide

## Chapter 41

### Transfers of Ownership



- 41.1 [Transfers of Ownership in the Property or in the Borrower \(04/18/24\)](#)
  - a. [Applicability, use of the Consent Request Tracker and review of General Loan Information \(04/18/24\)](#)
  - b. [Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership \(04/29/16\)](#)
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- 41.2 [Loan Document provisions regarding Transfers of Ownership \(04/18/24\)](#)
  - a. [Mortgages that permit transfers without the consent of the Lender \(04/18/24\)](#)
  - b. [Mortgages that conditionally permit Transfers of Ownership \(06/29/18\)](#)
  - c. [Mortgages that prohibit transfers without the consent of the Lender \(04/18/24\)](#)
- 41.3 [Conditionally Permitted Transfers of Ownership \(06/13/24\)](#)
  - a. [Notice to Freddie Mac \(04/18/24\)](#)
  - b. [Delivery of documents requiring Freddie Mac signature \(06/29/18\)](#)
  - c. [Transfer documentation – electronic delivery \(06/13/24\)](#)
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  - e. [Remittance of fees \(06/29/18\)](#)
- 41.4 [Transfer of Ownership requiring Freddie Mac consent – application for approval \(12/12/24\)](#)
  - a. [Basic information required \(12/12/24\)](#)
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- 41.5 [Prohibited Transfer of Ownership requiring Freddie Mac consent – review of the application \(06/29/18\)](#)
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- 41.7 [Prohibited Transfer of Ownership - Declination of the application for Lender consent \(06/29/18\)](#)
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- c. [Additional Servicer obligations \(06/29/18\)](#)

41.9 [Fees \(04/30/19\)](#)

- a. [Review/processing fee \(09/18/14\)](#)
- b. [Counsel fee \(04/29/16\)](#)
- c. [Transfer fee \(09/18/14\)](#)
- d. [Remittance of fees \(04/30/19\)](#)



## 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](mailto: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 (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 (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 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](http://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](http://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.

# Multifamily Seller/Servicer Guide

## Chapter 41SBL

### SBL Transfers of Ownership



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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](mailto:MF_Asset_Perf@freddiemac.com).

### b. **Delivery of documents and notices to Freddie Mac prior to a Transfer of Ownership (06/30/16)**

#### 1. Electronic delivery

When this chapter requires electronic delivery of any document, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify *Multifamily Asset Management, Borrower Transactions*.

#### 2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must upload the document into DMS and deliver the original to *Multifamily Asset Management, Borrower Transactions*.

#### 3. Delivery of notices to Freddie Mac

When this chapter requires email delivery of a notice to Freddie Mac, the Servicer must direct the email to Freddie Mac *Multifamily Asset Management, Borrower Transactions*.



**c. Delivery of documents and notices to Freddie Mac following a Transfer of Ownership (06/29/18)**

**1. Electronic delivery**

When this chapter requires electronic delivery of any document following a Transfer of Ownership, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents onto the Freddie Mac Multifamily DMS and using the “File Submission” link to notify *Multifamily Purchase*.

**2. Delivery of original documents to Freddie Mac**

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document onto DMS, and
- Deliver the original to Multifamily Purchase.

**d. Seller/Servicer obligation to screen existing and new Borrowers and Borrower Principals, and Non-U.S. Equity Holders (09/01/16)**

Within five Business Days after the Transfer of Ownership occurs, the Servicer must electronically deliver the following certification to Freddie Mac in a letter on the Seller/Servicer’s stationery:

- “Servicer certifies that it has determined that none of [insert Borrower, new Borrower Principals, new Non-U.S. Equity Holders or new property management company, as applicable] are the target of any sanctions law administered or enforced by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), including a person or entity identified on the most current OFAC Specially Designated Nationals and Blocked Persons (SDN) List or OFAC Consolidated Sanctions List; and
- Servicer certifies that it has reviewed the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List in accordance with Section 2.24 of the Guide and that none of the [insert Borrower, new Borrower Principals or new property management company, as applicable] are identified on the FHFA SCP List, subject to any conditions or exclusions set forth in any applicable FHFA SCP final suspension order published on FHFA’s SCP website.”

See Sections 41SBL.3(c) and 41SBL.6(g) for requirements for submitting this certificate with the required documentation for a Transfer of Ownership.

The Servicer must also conduct the Exclusionary List review as provided in Section 2.18.

**41SBL.2 Loan Document provisions regarding Transfers of Ownership (04/18/24)**

Loan Documents have varying provisions regarding Transfers of Ownership. The Servicer and Single Counsel must carefully review the applicable Loan Documents to determine what, if any, Transfers of Ownership are permitted and what the conditions are for reviewing those Transfers of Ownership.

**a. Mortgages that permit transfers without the consent of the Lender (04/18/24)**

Certain Loan Documents permit Transfers of Ownership interests in the Borrower without consent of the lender, and without specific pre-authorization provisions.

The Servicer must take the following actions:

1. Enter the permitted transfer into the Consent Request Tracker within five Business days after learning of it, and must, at that time, include the name of the transferee, the date of the Transfer of Ownership, and the terms of the transfer, if known. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver supporting documentation such as an organizational chart and organizational documents to Freddie Mac.
3. Ensure that all insurance policies reflect the new ownership.

A confirmation email will be sent by Freddie Mac if Freddie Mac concurs that the transfer is permitted under the terms of the Loan Documents.

For Transfers of Ownership permitted by SBL Mortgages described in this section, the application and approval provisions of this chapter do not apply, and neither Freddie Mac nor the Servicer will impose a review/processing fee or transfer fee (other than as set forth in the Loan Documents).

**b. Mortgages that conditionally permit Transfers of Ownership (06/29/18)**

Some Loan Documents contain provisions that pre-authorize certain Transfers of Ownership that have been underwritten at the time of the origination or prior assumption of the Mortgage. See Section 41SBL.3 for the procedures for approval and documentation of a conditionally permitted Transfer of Ownership.

**c. Reserved (06/29/18)****d. Mortgages that prohibit transfers without the consent of the Lender (06/29/18)**

If the Loan Documents contain a provision that states that the lender may or will permit an otherwise prohibited Transfer of Ownership if the proposed transferee meets certain standards as to credit, management ability or other matters, the Property (and interests in a Borrower entity that are covered by the transfer language) may be transferred, but only subject to the provisions of Sections 41SBL.4 through 41SBL.8.

**41SBL.3 Conditionally Permitted Transfers of Ownership (06/13/24)****a. Notice to Freddie Mac (04/18/24)**

Within two Business Days after receiving notice of a conditionally permitted Transfer of Ownership – whether that notice is received prior or subsequent to that Transfer of



Ownership – the Servicer must enter the applicable information into the Consent Request Tracker.

1. If the Servicer receives notice of a conditionally permitted Transfer of Ownership after the Transfer of Ownership is completed, the Servicer must:
  - Confirm that the Transfer of Ownership is conditionally permitted under the terms of the Loan Documents and
  - Deliver any documentation required by the terms of the provisions in the Loan Documents and remit any applicable fees to Freddie Mac as described in 41SBL.3(b) - (e).
2. If the Servicer receives notice of a conditionally permitted Transfer of Ownership prior to the date of the transfer, then promptly following the Servicer's receipt of notice from the Borrower, the Servicer must electronically deliver to Freddie Mac each of the following:
  - Copies of any documentation required by the terms of the pre-authorization provisions in the Loan Documents
  - Confirmation from Single Counsel that the transfer is conditionally permitted under the terms of the Loan Documents
  - Servicer's written certification that the Transfer of Ownership meets all the requirements for a conditionally permitted Transfer of Ownership under the terms of the Loan Documents

If Freddie Mac concurs that the transfer is conditionally permitted under the terms of the Loan Documents, Freddie Mac will issue an Acknowledgment of Conditionally Permitted Transfer. The Servicer must then deliver the documentation and remit the applicable fees as described in 41SBL.3(b) - (e).

**b. Delivery of documents requiring Freddie Mac signature (06/29/18)**

The Servicer must submit any required documentation that must be executed by Freddie Mac to Freddie Mac by email if feasible, or in hard copy form if necessary, at least three Business Days prior to the date of the conditionally permitted Transfer of Ownership.

**c. Transfer documentation – electronic delivery (06/13/24)**

Not later than five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must electronically deliver the following documents if required by the Loan Documents and/or the Freddie Mac Acknowledgment of Conditionally Permitted Transfer:

1. Servicer's certification(s) regarding Borrower and organizational documents, if applicable
2. Servicer's OFAC/FHFA SCP certificate as required by 41SBL.1(d)



3. Reserved
4. An executed [Form 1115, Borrower and Key Borrower Principal Certificate](#), as detailed in Section 55SBL.2, for each transferee and new Key Borrower Principal, as applicable
5. Preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7, if not previously provided to Freddie Mac
6. If applicable, a certified copy of any recorded documents such as a Memorandum of Loan Assumption Agreement or a UCC Financing Statement
7. Transfer of Interest Reaffirmation Agreement; if the Reaffirmation Agreement, if applicable
8. Guaranty Assumption and Loan Modification Agreement, if applicable
9. Assignment of Management Agreement, if applicable
10. Freddie Mac Acknowledgement of Conditionally Permitted Transfer, acknowledged by the Servicer (if required by the Acknowledgement), if not previously uploaded to DMS
11. Opinions, if applicable
12. Any other documents required by the terms of the Loan Documents or the Freddie Mac Acknowledgement of Conditionally Permitted Transfer

**d. Post-transfer documentation – delivery of originals (04/18/24)**

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must deliver to Freddie Mac originals of any amendment to any Note, Guaranty or any other Loan Document for which delivery of an original is required under the Final Delivery Package Table of Contents - SBL.

**e. Remittance of fees (06/29/18)**

Within five Business Days after the conditionally permitted Transfer of Ownership occurs, the Servicer must remit by wire transfer any fees required pursuant to the terms of the pre-authorization provisions of the Loan Documents, in accordance with the requirements of Section 41SBL.9.

## **41SBL.4 Transfer of Ownership requiring Freddie Mac consent (12/12/24)**

**a. Conditions for Freddie Mac consent (08/15/24)**

For all Transfers of Ownership requiring Freddie Mac consent, including (i) transfers of all or any portion of the Property, (ii) transfers of a direct or indirect controlling interest in Borrower, and (iii) transfers of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, the Servicer must provide to Freddie Mac an analysis of and, if applicable, recommendation with respect to, each of the following requirements:



1. The Borrower has submitted to the Servicer all information required by the Servicer to make the determination required by this Section along with the applicable nonrefundable Transfer of Ownership processing fee
2. The transferee meets Freddie Mac's eligibility, credit, management and other standards (including any standards with respect to previous relationships between Freddie Mac and the transferee), including having no unmitigated adverse findings from the Public Record Searches required by the Guide
3. The transferee's organization, credit and experience in the management of similar properties is appropriate to the overall structure and documentation of the Loan, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
4. The Property will be managed by (or will continue to be managed by) a Property manager meeting the requirements of the Loan Agreement
5. The Property, at the time of the proposed Transfer of Ownership, meets all of Freddie Mac's standards as to its physical condition, occupancy, net operating income, and the accumulation of reserves
6. In the case of a Transfer of Ownership of all or any part of the Property, each of the following conditions is satisfied:
  - The transferee meets the requirements of Section 6.13 of the Loan Agreement.
  - The transferee executes Freddie Mac's then-standard assumption agreement for SBL Mortgages that, among other things, requires the transferee to perform all obligations of the Borrower set forth in the Loan Documents, and may require that the transferee comply with any provisions of the Loan Agreement or any other Loan Document which previously may have been waived or modified by the lender.
  - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.
  - The transferee executes such additional documentation as Freddie Mac may require.
7. In the case of a Transfer of Ownership of a direct or indirect controlling interest in Borrower, each of the following conditions is satisfied:
  - If Freddie Mac requires, the transferee causes one or more Persons acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac.





- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then the requirements of Section 41SBL.4(b) will apply.
  - The transferee and Borrower execute such additional documentation as Freddie Mac may require.
8. In the case of a Transfer of Ownership of greater than 50% of non-managing member or limited partner interests in Borrower or any entity that controls Borrower, each of the following conditions is satisfied:
- If a Guarantor requests that Freddie Mac release the Guarantor from its obligations under a Guaranty executed and delivered in connection with the Loan Documents, then (i) the Borrower causes one or more persons or entities acceptable to Freddie Mac, in Freddie Mac's discretion, to execute and deliver a Guaranty (or Guaranty Assumption and Loan Modification Agreement, as applicable) in a form acceptable to Freddie Mac and (ii) the requirements of Section 41SBL.4(b) will apply.
9. Freddie Mac receives any such legal opinions that Freddie Mac deems necessary, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*
10. The Servicer collects all costs, including the cost of all title searches, title insurance and recording costs, and all attorneys' fees and costs incurred in reviewing the Transfer of Ownership request
11. At the time of the Transfer, the Borrower pays a Transfer of Ownership Fee equal to one percent of the outstanding principal balance of the indebtedness as of the date of the Transfer of Ownership, *except that this requirement will not apply for transfers of greater than 50% of non-managing member or limited partner interests*

**b. Continuing liability of the Borrower and Guarantor (06/29/17)**

If the Borrower and Guarantor request a release of their respective liabilities under the Loan Documents in connection with a Transfer of Ownership of all of the Borrower's interest in the Property, and Freddie Mac approves the Transfer of Ownership pursuant to Section 41SBL.6, then one of the following will apply:

1. If the [Form 1104, SBL Physical Risk Report](#), meeting the requirements of Section 62SBL.3 submitted by the Servicer in connection with the Transfer of Ownership (A) is dated within 90 days prior to the date of the proposed Transfer of Ownership, and (B) evidences no presence of environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will do each of the following:
  - (i) Release the Borrower from all its obligations under the Loan Documents except for liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) with respect to any loss, liability, damage, claim, cost or expense which directly or indirectly arises from or relates to any Prohibited Activities or Conditions existing prior to the date of the Transfer of Ownership.



- (ii) Release the Guarantor from all the Guarantor's obligations under the Loan Documents except for the Guarantor's obligation to guaranty the Borrower's liability described in Section 41SBL.4(b)(1)(B)(i) above.
2. If the [Form 1104, SBL Physical Risk Report](#), prepared in connection with the Transfer of Ownership request identifies any environmental hazards or issues using the methodology described in Chapter 62SBL, then Freddie Mac will release the Borrower and the Guarantor from all of their respective obligations under the Loan Documents except for the Borrower's liability under Section 6.12 or Section 10.02(b) or 9.02(b) of the Loan Agreement (as applicable, relating to environmental indemnification) and the Guarantor's obligation to guaranty the Borrower's liability.

**c. Required Servicer disclosure (08/26/21)**

If an Equity Conflict of Interest exists as defined in Section 2.25, then the Servicer must provide to [Multifamily Asset Management, Borrower Transactions](#) a written statement that discloses the nature and extent of that Equity Conflict of Interest within three Business Days after receiving the Borrower's request for approval of the Transfer of Ownership.

**d. Application for approval; information required (12/12/24)**

Within two Business Days after receiving a request for a Transfer of Ownership, the Servicer must enter the applicable information into the Consent Request Tracker.

The Servicer must electronically submit a complete review package and the Servicer's recommendation, including the applicable information required pursuant to Sections 41SBL.4(d) and (e) to Freddie Mac at least 15 days prior to the proposed date of the Transfer of Ownership. The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local laws or regulations.

Promptly following receipt of the Borrower's notification of the pending Transfer of Ownership, the Servicer must collect the following information from the Borrower and proposed new Key Borrower Principals, as applicable, following up with the Borrower as necessary to ensure timely receipt of required materials. *Items 3, 4, 6, 7, and 9 through 14 are not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A nonrefundable review/processing fee in accordance with Section 41SBL.9
2. A completed Transfer of Ownership/Assumption Request, available via FreddieMac.com, including
  - The Servicer's thorough analysis of the risks, strengths, and weaknesses associated with the proposed Transfer
  - The Servicer's justification and support for its recommendations with respect to any requests for waivers or document modifications



- The Servicer's recommendations regarding the need for adjustment to any Impositions or Reserves
  - The Servicer's explanation of the terms of any seller take-back financing or other Subordinate Financing
  - The Servicer's explanation of any unusual proposed transferee structure or structure of a transaction done for tax purposes
  - Information regarding any deadline for a real estate exchange done pursuant to Internal Revenue Code Section 1031 (Note: Reverse 1031 exchanges are not permissible)
3. A copy of the executed contract of sale or other transfer agreement, letter of intent, or other indication of the Borrower's intent to transfer an ownership interest in the Property or in the Borrower, together with a [Purchase Agreement Analysis](#) form (as described in Section 55SBL.2).
  4. Current financial statements of the proposed transferee and the proposed new Key Borrower Principals, as described in Section 55SBL.2
  5. An executed [Form 1115, Borrower and Key Borrower Principal Certificate](#), for the proposed transferee and each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
  6. An executed [Form 1116, Real Estate Schedule](#), for each proposed new Key Borrower Principal, as detailed in Section 55SBL.2
  7. Information concerning the managerial experience of the proposed transferee (if not otherwise fully reflected on [Form 1115](#)) and the proposed paid professional manager, if applicable, as detailed in the mortgage transaction narrative analysis description in Section 55SBL.2
  8. A [Form 1114, Certification – Organizational Chart](#), with the Certified Organizational Chart of the proposed Borrower. The Certified Organizational Chart must include the elements set forth in the [Guidance – Organizational Charts](#).
    - Each entity's name, State of formation, and type (e.g., Delaware limited liability company)
    - Each party's ownership percentage
    - Each party's role (e.g., Principal, Guarantor, manager, general partner, etc.)
  9. Current financial statements for the Property including a trailing 12-month statement, each certified by the Borrower in the manner described in Section 55SBL.2, together with the Servicer's analysis of those statements. If the two most recent certified calendar year financial statements have been submitted to Freddie Mac via the Property Reporting System (PRS), the Servicer may make a statement to that effect on the Transfer of Ownership/Assumption Request and need not attach the calendar year



statements unless requested to do so by Freddie Mac

10. A [Form 1104, SBL Physical Risk Report](#), prepared by a physical risk consultant in compliance with Chapter 62SBL if any of the following apply:
  - The Property was built more than 15 years previously
  - The most recent Annual Inspection Form (AIF) noted significant Deferred Maintenance
  - The buyer proposes significant capital improvements
  - The Borrower and Guarantor are requesting a release from environmental liability pursuant to Section 41SBL.4(b)
11. If a [Form 1104, SBL Physical Risk Report](#), is not required pursuant to Section 41SBL.4(a)(10), and if the most recent AIF is dated more than 12 months prior to submission of the transfer request, then the Servicer must conduct a physical inspection of the Property and deliver an updated AIF to Freddie Mac
12. Copies of all current property reports obtained in connection with the Transfer (e.g., Appraisal, the Level 1 Seismic Risk Assessment (SRA), the [Form 1104, SBL Physical Risk Report](#), etc.)
13. A current credit report for any proposed Guarantor that is an individual, as detailed in Section 55SBL.2
14. A preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6SBL.7
15. Written certification of the Servicer that there is no uncured event of default or any event, act, or condition that, but for the giving of notice or the passage of time, would constitute an event of default unless such Transfer of Ownership would cure the event of default
16. For a Transfer of Ownership that does not involve a transfer of title to the Property, a Certified Organizational Chart (including [Form 1114, Certification – Organizational Chart](#)) for the Borrower as constituted prior to the proposed Transfer of Ownership
17. The Public Records Searches as required by Section 2.28
18. Any other information which Freddie Mac may request in connection with its review of the proposed Transfer

**e. [Additional information required for Transfers of Ownership of interest in the Property \(09/28/18\)](#)**

If title to the Property will change as a result of the Transfer of Ownership, the Servicer must provide the following additional information to Freddie Mac:



1. Organizational documents of the proposed Borrower, together with Servicer's certification that it has reviewed the organizational documents and that they comply with the requirements of Section 9SBL.7
2. Certified Organizational Chart of the proposed Borrower, together with the [Form 1114, Certification — Organizational Chart](#)
3. Title update report dated no earlier than 30 days before the date of the Transfer
4. An explanation by the Single Counsel for any title exception that did not appear on the title policy that was issued when the Mortgage was originated that was not previously approved by Freddie Mac or the Servicer, is in violation of the Loan Documents, or would otherwise not be acceptable to a prudent institutional lender
5. The proposed new Borrower's first year budget for the Property
6. Evidence of insurance, as described in Section 31.19(b)

**f. Information required five Business Days prior to the proposed Transfer of Ownership (06/17/21)**

The Servicer must deliver each of the following to Freddie Mac at least five Business Days prior to the date of the proposed Transfer of Ownership, *except that item 1 is not applicable for Transfers of Ownership of greater than 50% of non-managing member or limited partner interests.*

1. A draft property management agreement in essentially final form
2. A [Form 1114, Certification – Organizational Chart](#), with the Certified Organizational Chart of the proposed Borrower. The Organizational Chart must include the elements set forth in the [Organizational Chart Interactive Guidance](#) at <https://mf.freddiemac.com/lenders/asset/> under Asset Management References.

**41SBL.5 Prohibited Transfer of Ownership requiring Freddie Mac consent -- review of the application (06/29/18)**

Freddie Mac will evaluate the application and the Servicer's recommendation in accordance with Freddie Mac's credit policies and the terms of the Loan Documents. Factors to be considered may include the following:

- The net income of the Property before debt service and depreciation
- The Debt Coverage Ratio (DCR) and the Loan to Value Ratio (LTV)
- The Property condition
- The proposed transferee's equity in the Property
- The proposed transferee's previous management experience and its ability to maintain or increase the net income of the Property



- The proposed transferee's and proposed Guarantor's financial statements and credit history (evidence that each has the ability to repay the Mortgage and evidence that each has repaid or is repaying other loans according to their respective terms)
- The terms and conditions of any Subordinate Financing

#### **41SBL.6 Prohibited Transfer of Ownership requiring Freddie Mac consent – approval of the application (04/18/24)**

##### **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](http://mf.freddiemac.com/lenders/purchase) (certified copy)
  9. If required by Freddie Mac, opinions of proposed transferee's/Guarantor's counsel (If the proposed transferee or any new Guarantor is a corporation, partnership, limited liability company or other legal entity, then if required, the Servicer must deliver to Freddie Mac an opinion of counsel for each such entity. The opinion of counsel must be addressed to Freddie Mac and must contain the provisions and opinions set forth in the Form of Opinion Letters available at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal), as applicable.) (copy)
- NOTE:** The counsel rendering the opinions must be acceptable to Freddie Mac, or to the Servicer if the Servicer is authorized to approve the opinion. The Freddie Mac Approval may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require the Servicer at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.
10. UCC along with indications of where filed (certified copy)
  11. Servicer's OFAC/SCP certificate as required by 41SBL.1(d) (copy)
  12. Any other documents required by the Freddie Mac approval letter



The Servicer must not obtain an Assignment of Management Agreement and Subordination of Management Fees for loans purchased under the Freddie Mac Small Balance Loan Program.

**h. Servicer's responsibilities following the Transfer of Ownership (06/30/16)**

Following the closing of the Transfer of Ownership, the Servicer must:

- Deliver to all parties concerned a copy of all documents listed in Section 41SBL.6(g)
- Retain copies in the Mortgage File of the documents listed in Section 41SBL.6(g)
- Provide all notices and disclosures required under applicable law or regulation
- Ensure all data fields in the CRT that are Servicer's responsibility to populate are completed
- Ensure that all insurance policies reflect the Transfer of Ownership
- Continue to service the Mortgage as required in the Purchase and Servicing Documents

**i. Servicer's warranties in connection with a Transfer of Ownership (09/28/18)**

When a Servicer delivers documentation for a Transfer of Ownership, the Servicer will be deemed to have made the warranties in Sections 5.2 through 5.5, 5.10 and 5.14 as of the date the documentation for a Transfer of Ownership is delivered to Freddie Mac.

**41SBL.7 Prohibited Transfers of Ownership - Declination of the application for Lender consent (06/29/18)**

If Freddie Mac declines the application for Transfer of Ownership, the Servicer must send written notice of the decision to the Borrower and the proposed transferee on behalf of Freddie Mac, in a manner that complies with all applicable laws and regulations and the requirements of Section 10.13.

**41SBL.8 Prohibited Transfers of Ownership (04/18/24)**

If the Servicer suspects a prohibited Transfer of Ownership has taken place, the Servicer must act in a timely, efficient, and responsible manner to carry out Freddie Mac's instructions and to fully protect Freddie Mac's interests as follows:

- Immediately notify Freddie Mac via email describing the circumstances of the possible prohibited Transfer of Ownership.
- Immediately contact the Borrower, the prohibited transferees or any party that may have been connected with the transfer to determine whether a prohibited Transfer of Ownership has occurred. If the Servicer confirms a prohibited Transfer of Ownership has in fact occurred, the Servicer must notify Freddie Mac via email [Multifamily Asset Management Borrower Transactions](#).



The email notification specified above should be sent to *Multifamily Asset Management, Borrower Transactions*.

**a. Information to be provided to Freddie Mac (06/29/18)**

The Servicer must electronically submit the following information to Freddie Mac within two Business Days after confirming that the prohibited Transfer of Ownership has occurred:

1. Information detailing the prohibited Transfer of Ownership (The letter must include the Freddie Mac loan number, the name of the Borrower, the property address, the names and addresses of all known parties connected with the prohibited Transfer of Ownership and details of the discovery of the Transfer of Ownership.)
2. A written summary of any conversations between Servicer personnel and the Borrower or any party involved with the Transfer of Ownership
3. Any evidence of the prohibited Transfer of Ownership
4. Any other information requested by Freddie Mac

**b. Property inspection (06/29/18)**

Freddie Mac may request that the Servicer complete a Freddie Mac Annual Inspection Form (AIF) in connection with the prohibited Transfer of Ownership. Within 60 days of a request by Freddie Mac, the Servicer must inspect the Property and submit the AIF in accordance with the submission procedures in Chapter 40. If the Servicer is unable to fully inspect the Property, the Servicer must conduct an exterior inspection and identify any Deferred Maintenance. The Servicer must also conduct a market survey, which, along with past rental and expense information, is to be used by the Servicer to complete the AIF.

**c. Additional Servicer obligations (06/29/18)**

If the Servicer discovers any additional defaults during the investigation of the prohibited Transfer of Ownership, the Servicer must immediately notify Freddie Mac via email.

## **41SBL.9 Fees (04/30/19)**

**a. Review/processing fee (12/14/18)**

For loans allowing Transfers of Ownership subject to lender consent, (whether conditionally permitted or prohibited), the Servicer must charge the Borrower a nonrefundable review/processing fee in the amount specified in the Loan Agreement.

The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac by wire transfer with the application for the Transfer of Ownership. The review/processing fee is in addition to the transfer fee and will not be applied to reduce the transfer fee. The Servicer may not charge the Borrower any additional fees for processing a Transfer of Ownership unless required by Freddie Mac.

**b. Counsel fee (06/30/16)**

At closing of the Transfer of Ownership, the Servicer must collect the counsel fee for Single Counsel, and if specified in the approval letter, the Servicer must collect a nonrefundable counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, which may be either outside or in-house counsel. When Freddie Mac approves the Transfer of Ownership, Freddie Mac will issue a letter setting forth the amount of the counsel fee other than the Single Counsel fee.

The Servicer may also require the Borrower to pay the Servicer's additional legal expenses and costs (for example, costs for searches, filings and title endorsements) relating to the Transfer of Ownership.

**c. Transfer fee (12/14/18)**

For all approved Transfers of Ownership, Freddie Mac charges a nonrefundable transfer fee in the amount set forth in the Loan Agreement.

For Loan Agreements with a revision date of 11-21-17 or earlier, Transfers of Ownership requested pursuant to Section 7.05 of the Loan Agreement that will result in a change of Control (as defined in the Loan Agreement), except for transfers of greater than 50% of non-managing member or limited partner interests, must be characterized as a Transfer of the "Mortgaged Property."

**NOTE:** If the Transfer of Ownership involves a transfer of interests in the Borrower that does not result in a change in control of the Borrower, and if the Transfer of Ownership will not result in the addition of any new Borrower Principal(s), Freddie Mac may consider reducing or waiving the transfer fee upon written request from the Servicer.

**d. Remittance of fees (04/30/19)**

The Servicer must obtain wire transfer instructions from *Multifamily Asset Management, Borrower Transactions*.

The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

# Multifamily Seller/Servicer Guide

## Chapter 42

### Transfers of Servicing



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## 42.1 General policy (07/31/12)

Freddie Mac's requirements and definitions for transfers of Servicing are set forth in this chapter.

## 42.2 Transfer of Servicing definitions (08/15/24)

### a. Transfer of Servicing (02/28/11)

Transfer of Servicing means the assignment, sale, conveyance or other transfer of all Servicing duties and responsibilities set forth in the Purchase and Servicing Documents with respect to one or more Mortgages owned by Freddie Mac.

### b. Transferee (02/28/11)

The transferee is the Servicer that acquires, or proposes to acquire, the Servicing of the Mortgage(s).

### c. Transferor (02/28/11)

The transferor is the Servicer that transfers, or proposes to transfer, Servicing of the Mortgage(s).

### d. Effective date of transfer (08/15/24)

The effective date of any transfer is the transfer date set forth on the [Form 981M, Transfer of Servicing Agreement](#), or [Form 983M, Transfer of Securitized Servicing Agreement](#), as applicable, unless the transferor and transferee are otherwise advised by Freddie Mac.

For all transfers, the effective date of the transfer must be the first Business Day following the cutoff date for a Freddie Mac accounting cycle.

## 42.3 Submitting requests for transfers of Servicing (08/15/24)

The transferor must obtain Freddie Mac's written approval for each Transfer of Servicing before the transfer takes place, regardless of whether the transfer is initiated or requested by a Servicer or any other party, such as a conservator, receiver or liquidator of the Servicer.

### a. Transfers of Servicing (08/15/24)

At least 30 days before the requested transfer date, the Servicer must submit the following to Freddie Mac *Multifamily Counterparty Risk & Compliance*:

- [Form 981M, Transfer of Servicing Agreement](#), or [Form 983M, Transfer of Securitized Servicing Agreement](#), as applicable (executed by the transferor and the transferee)
- A list of Mortgages for which the Servicer is requesting that the Servicing be transferred
- Fully executed copies of the Purchase and Servicing Documents, including a statement of the amount to be paid to the transferor and a copy of any recourse agreement between the transferor and the transferee (submitted by the transferor)





- If the Servicer or any of its directors or officers owns an interest in the Property or the Borrower for any Mortgage for which the Servicer is requesting that the Servicing be transferred, a statement that discloses the nature and extent of that interest

If Freddie Mac approves the transfer, Freddie Mac will indicate that approval by executing and returning a copy of the [Form 981M, Transfer of Servicing Agreement](#), or [Form 983M, Transfer of Securitized Servicing Agreement](#), as applicable, to the transferor and the transferee.

#### **b. Fee (08/15/24)**

With the [Form 981M, Transfer of Servicing Agreement](#), or [Form 983M, Transfer of Securitized Servicing Agreement](#), as applicable, the transferor must remit a nonrefundable transfer processing fee of \$1000. The transferor must remit the transfer processing fee by wire transfer. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Counterparty Risk & Compliance*. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Seller/Servicer name, Seller/Servicer number and the Freddie Mac contact person.

#### **c. Denied Transfer of Servicing requests (12/05/03)**

If Freddie Mac does not approve a Transfer of Servicing request, it will provide written notice to the transferor and transferee, explaining the reasons for its decision and detailing the actions, if any, that could be taken to obtain Freddie Mac approval.

#### **d. Freddie Mac's rights (06/28/13)**

Freddie Mac has the right to transfer Servicing from any Servicer for cause and without cause as set forth in Chapter 4, including the right to transfer Servicing from a servicer that has purported to assume a Servicer's Servicing obligations without Freddie Mac's prior written approval. Any such unauthorized transfer and assumption of Servicing constitute grounds for suspension of both the transferor and purported transferee as Seller/Service providers and/or termination of Servicing under the provisions of Chapter 4.

### **42.4 Review of transferor and transferee (06/28/13)**

The transferor and the transferee of Servicing must be approved Servicers and must be in compliance with all of the requirements of the Purchase and Servicing Documents. In addition, when reviewing a Transfer of Servicing request, Freddie Mac will review both the transferor and the transferee for compliance with the criteria listed in the chart below. Freddie Mac may refuse to approve a Transfer of Servicing if any of the following criteria are not met:

Criteria:	Transferor must...	Transferee must...
Repurchases	Have none outstanding	Have none outstanding
Delinquency and REO ratios	Not applicable	Have a <ul style="list-style-type: none"> <li>• 30-, 60-, or 90-day Delinquency rate or Real Estate Owned (REO) rate by the Seller/Servicer that does not exceed 150 percent of the average 30-, 60-, or 90-day</li> </ul>



Criteria:	Transferor must...	Transferee must...
		Delinquency rate or REO rate for all multifamily Mortgages owned by Freddie Mac, or <ul style="list-style-type: none"> <li>Delinquency rate on post-1994 Mortgages [see Section 4.6(a)] that does not exceed 150 percent of the average Delinquency rate for all post-1994 Mortgages purchased by Freddie Mac since that date in the same geographic area in which the Properties that secure Mortgages sold by the Seller/Servicer or serviced by the Servicer are located</li> </ul>
Reporting and/or remitting	Not applicable	Have reported accurately and timely
Financial obligations to Freddie Mac	Have none outstanding	Have none outstanding

Freddie Mac will not approve a Transfer of Servicing if Freddie Mac, in the exercise of its judgment, determines that such a transfer is not in the best interests of Freddie Mac or determines that the transferee will not be able to adequately service the Mortgages.

## 42.5 Additional requirements for transfers of Servicing (08/15/24)

As a condition of Freddie Mac's approval of a Transfer of Servicing request, the transferor and transferee must each ensure that it has met the additional requirements in this section relating to the Mortgages being transferred.

### a. Negotiated Transactions purchase (08/15/24)

If the Mortgages for which Servicing is being transferred are subject to a Multifamily Negotiated Transactions Purchase Contract, the transferor must attach a copy of that contract to the [Form 981M, Transfer of Servicing Agreement](#), or [Form 983M, Transfer of Securitized Servicing Agreement](#), as applicable.

### b. Participations (05/01/14)

In an approved Transfer of Servicing, the transferor must either retain, or sell to the transferee, any participation interest the Seller/Servicer retains in Mortgages sold in part to Freddie Mac, unless Freddie Mac elects to purchase the participation interest.

### c. Portfolio transfers (05/01/14)

Complete Servicing portfolio transfers must include any Delinquent Mortgages and any REO.

**d. Information to be provided by transferor (02/16/23)**

During the period prior to the effective date of a proposed Transfer of Servicing, the transferor must provide to Freddie Mac *Multifamily Counterparty Risk & Compliance* and/or the proposed transferee, upon request, the following information:

1. The trial balance or supplemental schedules that confirm
  - The unpaid principal balance of each Mortgage, and
  - All Reserve, suspense and advance account balances
2. All Custodial Account reconciliations related to the Mortgages including
  - Principal and interest
  - Taxes and insurance
  - Replacement Reserve
  - Repair Reserve

This information must be as of the last reconciliation of these Custodial Accounts.

**e. Delegated TAH Mortgages (08/30/13)**

The transferor must attach a copy of the Seller/Servicer's Delegated TAH Master Agreement.

**42.6 Reporting to Freddie Mac for transfers of Servicing (02/16/23)****a. Written certification (02/16/23)**

The transferee, as a condition of Freddie Mac's approval of the transfer, must provide to Freddie Mac *Multifamily Counterparty Risk & Compliance*, within 30 days after the effective date of transfer, written certification of the completion of the transfer. The certification must state that the transferee

- Has received and possesses all funds and records (such as documents, books of account and files) required by the Purchase and Servicing Documents to be transferred in connection with a Transfer of Servicing
- Has had an opportunity to examine such records
- Has determined that such records are correct
- Assumes full responsibility and liability for the correctness of such records

**b. Transferee accounting reporting and remitting (12/05/03)**

Beginning with reports due for the reporting cycle immediately following the effective date of transfer, the transferee must submit all Servicing reports in the name and Seller/Servicer number of the transferee.

The transferee Servicer must submit all accounting reports in accordance with Chapter 54, and must remit all funds due to Freddie Mac in accordance with Chapter 53.

**c. Transferor accounting reporting and remitting (12/05/03)**

The transferor must report and remit all of the following:

- Payoffs for which the payoff date is before the effective date of transfer
- Reports and funds due for the accounting cycle cutoff date immediately preceding the effective date of transfer

The transferee must report and remit all of the following:

- Payoffs for which the payoff date is on or after the effective date of transfer
- Reports and funds due for the accounting cycle cutoff dates following the effective date of transfer

**42.7 Transfer of records for transfers of Servicing (10/31/12)****a. Transfer of Mortgage files (10/31/12)**

On the effective date of the transfer, the transferor must deliver to the transferee a complete loan history of each Mortgage for which Servicing is being transferred. Unless otherwise agreed to by the transferee, the loan histories must be in an automated format, and must include a list of codes used in the loan histories and the definitions of those codes.

No later than 30 days after the effective date of transfer, the transferor must deliver to the transferee the following records for each Mortgage for which Servicing is transferred:

**1. Mortgage File**

The Mortgage File that the Servicer is required to maintain in accordance with Chapter 34

**2. Payment history**

The complete history of Mortgage payments and, if applicable, Reserve disbursements (including the most recent Reserve analysis), with supporting documentation, from the Origination Date of the Mortgage

**3. Correspondence and reports**

Copies of all correspondence with, and reports to, the Borrowers and, as applicable, Freddie Mac and any government authority

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#### **4. Notice of transfer**

A copy of the notice to the Borrowers regarding the Transfer of Servicing

#### **b. Transfer of portfolio records (10/31/12)**

No later than the effective date of transfer, the transferor must deliver to the transferee the following records for the Mortgages for which Servicing is transferred:

##### **1. Notices to third parties**

The notices required in Section 42.13

##### **2. Service contracts**

Copies of tax and insurance determination service contracts, if applicable

##### **3. Unpaid charges**

A list of escrowed charges due and unpaid as of the effective date of transfer

##### **4. Trial balances**

Trial balances, as of the close of the last Business Day immediately preceding the effective date of transfer, showing

- Transfers of Ownership, payoffs and other Servicing exceptions in process
- Reserves, Reserve advances and prepayments
- Delinquencies, foreclosures and bankruptcies

##### **5. Insurance policies**

A list of Mortgages showing expiration dates of the insurance policies on the Property, whether or not premiums for these policies were escrowed by the transferor

##### **6. Other documents**

Ledger records and definitions of codes used in ledger records, trial balances or any other documents required by Freddie Mac to be transferred to the transferee

#### **c. Additional requirements for subsequent transfers (10/31/12)**

For a subsequent Transfer of Servicing, the transferor must deliver to the transferee, no later than 30 days after the effective date of transfer, the following documents in addition to those specified in Sections 42.7(a) and 42.7(b):

##### **1. Custodial Accounts**



A copy of the depository's reconciliation, as of the close of the bank's last Business Day immediately preceding the effective date of transfer, for each Custodial Account maintained in accordance with Chapter 52

## **2. Freddie Mac reports**

Copies of all Servicing and accounting reports filed with Freddie Mac for the three months immediately preceding the effective date of transfer

### **42.8 Transfer costs (10/07/02)**

The transferor must pay documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with any Transfer of Servicing of Mortgages purchased by Freddie Mac, unless otherwise negotiated with the transferee.

### **42.9 Transfer of funds for transfers of Servicing (08/30/13)**

#### **a. General (10/31/12)**

The transferor must transfer all Custodial Account balances (including Reserves, prepayments and buydown funds) to the transferee's depository. The transferee must establish and hold these Custodial Accounts in accordance with Chapter 52. The transferor must make a final reconciliation of all monies relating to the transfer on the effective date of transfer.

#### **b. Reserve Custodial Accounts (08/30/13)**

The transferor must forward the entire balance of all Custodial Accounts related to Reserves and suspense accounts, net of outstanding advances on current Mortgages only, to the transferee's depository on the effective date of transfer. On the transfer date, the transferee must advance outstanding Reserve advances on current Mortgages, netted from the total by the transferor, to the Custodial Account it has established.

Outstanding Reserve advances on Delinquent Mortgages are reimbursable to the transferor in accordance with the provisions of Section 45.3, or the Seller/Service's Delegated TAH Master Agreement, if applicable.

#### **c. Interest (10/07/02)**

The transferee must reimburse the transferor for delinquent interest (net of prepaid interest) advanced to Freddie Mac by the transferor as of the effective date of transfer, no later than the date the funds are due to Freddie Mac.



## 42.10 Notice to Borrowers of transfers of Servicing (10/07/02)

### a. Transferor's notice to the Borrower (10/07/02)

The transferor must provide timely notice to the Borrowers to ensure a smooth transition, avoid disruption in Mortgage payments and comply with applicable laws and regulations. The transferor must provide written notice to each Borrower at least 15 days before the first payment is due to be received by the transferee.

### b. Transferee's notice to the Borrower (10/07/02)

The transferee must provide to each Borrower written confirmation of the information in the transferor's notice to the Borrowers within 15 days before the date the first payment is due to be received by the transferee.

### c. Notice requirements (10/07/02)

The notice must advise the Borrower of the following:

1. The effective date of transfer
2. The name and address of the transferee
3. The names and telephone numbers of the contact persons or departments of the transferor and of the transferee where the Borrowers' inquiries relating to the transfer should be directed (If toll-free numbers are not available, the letter must indicate that collect calls will be accepted.)
4. The date when the transferor will no longer collect the Borrowers' payments and when the transferee will begin to collect them

The notice may not amend the terms of a Mortgage other than those relating to where to send payments.

## 42.11 Borrower issues and inquiries about transfers of Servicing (05/01/14)

The transferor and transferee must ensure that their staffs and facilities are adequately prepared to process Servicing and accounting transactions and to respond to inquiries from the Borrower during the transfer transition period. The transferee must assume responsibility for responding to Borrower inquiries received after the effective date of transfer. If any Servicing or accounting problem cannot be resolved without the involvement of the transferor, the transferee, and not the Borrower, must initiate the contact with the transferor.

During the transfer transition period, the transferor and transferee must make reasonable efforts to resolve disputes to the Borrowers' satisfaction when such disputes arise from legitimate misunderstanding by the Borrower of instructions in the notice of Transfer of Servicing. Late charges must be waived and, if applicable, appropriate adjustments to payment and credit records made for misapplied or unapplied payments due to the transferee but received by the transferor.





## **42.12 Funds and correspondence received after transfers of Servicing (10/07/02)**

Within one day of receipt, the transferor must deliver to the transferee any funds for, or correspondence regarding, any of the transferred Mortgages received on or after the effective date of transfer.

## **42.13 Notices to third parties of transfers of Servicing (01/01/13)**

The transferor must obtain the following approvals and provide the following notices, as applicable:

- Advise all applicable property insurers of the transfer and of the name and address of the transferee to modify the mortgagee clause required by Section 31.2(e).
- Notify all other appropriate parties, including tax and flood hazard determination services, tax authorities, fee owners for leasehold Mortgages, other lienholders and public utilities levying mandatory assessments for which Reserves are collected

## **42.14 Liabilities of the transferor and transferee (08/30/13)**

### **a. Liability for warranties (08/30/13)**

#### **1. Transfers of Servicing effective prior to November 15, 1994**

For each Transfer of Servicing with an effective date prior to November 15, 1994, unless otherwise specified by Freddie Mac, the transferee is liable to Freddie Mac for the following, regardless of whether the transferor had such liability:

- With respect to the sale of each Mortgage to Freddie Mac, the representations, covenants and warranties that were in effect on the date of the sale; and
- With respect to the Servicing of the Mortgages and REO for which Servicing is transferred, for the representations, covenants and warranties in effect from time to time during the period that Freddie Mac has owned each Mortgage.

#### **2. Transfers of Servicing effective on or after November 15, 1994**

For transfers of Servicing with an effective date on or after November 15, 1994, the following provisions apply:

##### **a. Liability of transferor**

Unless otherwise agreed in writing by Freddie Mac, the transferor will retain liability as follows:

- With respect to the sale of each Mortgage to Freddie Mac, for all representations, covenants and warranties in effect on the date of the sale; and
- With respect to the Servicing of the Mortgages and REO for which Servicing is transferred, for the representations, covenants and warranties in effect from time to time during the period that the transferor serviced each Mortgage.



b. Liability of transferee

On the effective date of the Transfer of Servicing, the transferee assumes liability for all representations, covenants and warranties specified in Chapter 5 with respect to

- The Servicing of the Mortgages and REO, and
- The sale of the Mortgages to Freddie Mac. For Delegated TAH Mortgages, all representations, covenants and warranties applicable to origination and underwriting specified in Chapter 5 of the TAH Guide continue to apply.

For any warranties applicable to the sale of Mortgages to Freddie Mac that relate to the knowledge of the Seller, the transferee's liability will be determined based upon the knowledge of the original Seller, not the knowledge of the transferee.

b. Hold harmless (10/31/12)

The transferor and the transferee, jointly and severally, indemnify and agree to hold Freddie Mac, its successors and assigns, harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by Freddie Mac as a result of the transferor's or the transferee's failure to comply with applicable law or failure to comply with Freddie Mac's Servicing requirements as set forth in the Purchase and Servicing Documents, including failure to provide the notices required by Section 42.13, failure to make any payment to the appropriate parties for which Reserves are collected, and failure to credit properly any payments received from Borrowers.

c. Servicing (02/07/08)

The transferee must service the Mortgages in accordance with the terms of the unitary, indivisible master Servicing contract comprising the Guide, applicable bulletins and any other applicable Purchase and Servicing Documents.

# Multifamily Seller/Service Guide

## Chapter 43

### Specific Servicing Responsibilities



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## 43.1 Specific Servicing responsibilities; delivery of documents (04/18/24)

This chapter sets forth the Servicer's responsibilities for transaction-related requirements in Servicing the Mortgage.

- **Delivery of documents and notices to Freddie Mac: electronic delivery**

When this chapter requires electronic delivery of any document, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the "File Submission" link to notify:

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, *"Structured Transactions"*
- For all other Mortgages, *"Borrower Transactions"*

CRT can also be used to upload any applicable documentation for the consent request rather than uploading the document directly into DMS.

- **Delivery of original documents to Freddie Mac.** Unless otherwise stated, when this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver a hard copy to:
  - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, *Freddie Mac Multifamily Asset Management, Structured Transactions*
  - For all other Mortgages, *Freddie Mac Multifamily Asset Management, Borrower Transactions*

- **Servicing responsibilities – insurance**

For non-SBL Mortgages, the following sections of Chapter 31 state the Servicer's ongoing responsibilities with regard to insurance:

Section 31.8	Flood insurance requirements
Section 31.12	Ordinance and Law coverage
Section 31.22	Verification of required and continuing property and liability insurance coverage
Section 31.24	Ensuring continuous coverage and forced placed insurance

For SBL Mortgages, throughout the term of the SBL Mortgage, the Servicer must evaluate the insurance coverage and limits for each SBL Mortgage and determine, to its satisfaction, that

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adequate property and liability insurance coverage is in place. Servicers must follow the requirements of Chapter 31 to ensure that they comply with their ongoing responsibilities with regard to evaluating and documenting adequate insurance coverage.

## **43.2 IRS Form 1098, Mortgage Interest Statement (09/28/12)**

### **a. Completing IRS Form 1098 (05/06/05)**

The Servicer must provide IRS Form 1098, Mortgage Interest Statement, to the IRS and the Borrower as required under section 6050H of the Internal Revenue Code. This reporting must be done for each Mortgage owned in whole or in part by Freddie Mac. The Servicer's name, address and federal identification number must be reported for "Recipient." The Borrower's name, address and Social Security number must be reported for "Payer."

### **b. Retention of IRS Form 1098 (05/06/05)**

The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with section 6050H of the Internal Revenue Code and make such copies available for examination by Freddie Mac upon request.

### **c. Penalties (09/28/12)**

The Servicer is responsible for any penalty levied by the IRS for not reporting timely, nonreporting or reporting of inaccurate information, as applicable, with respect to those statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS.

## **43.3 IRS Form 1099-A and 1099-C requirements (10/21/21)**

Whenever Freddie Mac or a third party acquires an interest in a Property in full or partial satisfaction of Freddie Mac's Mortgage or when Freddie Mac or the Servicer knows or has reason to know that a Property has been abandoned, the Servicer must provide Internal Revenue Service (IRS) Form 1099-A, Acquisition or Abandonment of Secured Property. For all cancellations of mortgage debt on or after January 1, 2005 with respect to a Mortgage owned or guaranteed in whole or in part by Freddie Mac, the Servicer must report the cancellation of the Borrower's mortgage debt to the IRS on IRS Form 1099-C, Cancellation of Debt.

The Servicer must file Forms 1099-A and 1099-C with the IRS, the Borrowers and the States (as required). The Servicer must also notify Freddie Mac of its filings with the IRS on Freddie Mac [Form 1065M, Report of IRS Form 1099-A and Form 1099-C Filings](#).

### **a. General instructions for filing IRS Forms 1099-A and 1099-C with IRS (10/21/21)**

The Servicer must file all IRS Forms 1099-A and 1099-C with the IRS electronically. Paper filing is not an option as the number of forms that will be filed under Freddie Mac's tax identification number will exceed the maximum allowed for paper filing.

The Servicer must file its forms with the IRS no later than March 31 of the year following the calendar year that the Property is abandoned (Form 1099-A) or the debt is canceled (Form



1099-C). The Servicer must furnish the Borrower with a copy of any Forms 1099-A and 1099-C filed with the IRS on or before January 31 of the calendar year the form is filed with the IRS.

IRS requirements for filing electronically are set forth in IRS Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W2-G. A Servicer may obtain this publication by downloading it from the IRS website at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676). Instructions for completing IRS Forms 1099-A and 1099-C are set forth in Freddie Mac [Form 1065M](#).

The Servicer must insert appropriate header information on the electronic report it files with the IRS in accordance with the record descriptions in the following table:

Field Name	Data Description
<b>Payer "A" Record</b>	
Payer's TIN	For non-securitized loans, use 520904874 and for securitized loans, use the trust's TIN
First Payer Name Line	Federal Home Loan Mortgage Corporation
Payer Shipping Address	8200 Jones Branch Drive
Payer City	McLean
Payer State	VA
Payer ZIP Code	22102
Payer's Telephone Number & Extension	Servicer's telephone number
<b>"B" Record</b>	
Payee's TIN	Borrower's TIN
Payer's Account Number for Payee	The nine-digit Freddie Mac loan number followed by one space and the six-digit Seller/Servicer number
First Payee Name Line	First Borrower's name
Second Payee Name Line	Second Borrower's Name, if appropriate
Payee Mailing Address	Most recent address for Borrower
Payee City	Most recent address for Borrower
Payee State	Most recent address for Borrower
Payee Zip Code	Most recent address for Borrower

The Borrower's TIN is required to complete Forms 1099-A and 1099-C. If the Servicer does not have the Borrower's TIN, the Servicer must make a reasonable effort to obtain the TIN. Such request must clearly notify the Borrower that the IRS requires the Borrower to provide its TIN and that failure to do so subjects the Borrower to a \$50 penalty imposed by the IRS. To request the TIN, the Servicer must use IRS Form W-9, Request for Taxpayer Identification Number and Certification. However, the Borrower is not required to certify the TIN under penalties of perjury.



To correct or void previously submitted IRS Forms 1099-A or 1099-C, the Servicer must refer to IRS requirements to determine how to report either for electronic corrections or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must report corrections or voids to the IRS when an error is discovered.

The Servicer is responsible for completing the IRS Forms 1099-A and 1099-C and for providing the information to the IRS and to the Borrower in a timely and accurate manner. If the IRS penalizes Freddie Mac or assesses any fee for failure to produce such information or because a Servicer failed to file a report, or filed an untimely, incorrect or incomplete report, the Servicer must reimburse Freddie Mac for all costs incurred by Freddie Mac as a result of such penalty or assessment.

The Servicer must maintain copies of all statements and filings that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with the Internal Revenue Code. The Servicer must make such copies available for examination by Freddie Mac upon request until Freddie Mac agrees, in writing, that such records may be destroyed.

The Servicer must comply with the IRS's and the various States' requirements, as amended from time to time, for filing IRS Forms 1099-A and 1099-C. The Servicer is also responsible for providing a copy of any forms filed with the IRS to those States that have filing requirements. The Servicer should consult with its tax advisors, the States or the IRS concerning questions on such requirements.

**b. Instructions for filing IRS Form 1099-A, Acquisition or Abandonment of Secured Property (06/29/17)**

The Servicer must provide Form 1099-A to the IRS and the Borrower as required under Section 6050J of the Internal Revenue Code. This reporting must be done whenever Freddie Mac or a third party acquires an interest in a Property in full or partial satisfaction of Freddie Mac's secured debt or when Freddie Mac or the Servicer knows or has reason to know that a Property has been abandoned.

For the purposes of filing this report, the following instructions apply:

- Freddie Mac acquires an interest in the Property either:
  1. On the date of the foreclosure sale or the date the Borrower's right of redemption, if any, expires, whichever occurs later, or
  2. At the time a deed-in-lieu of foreclosure is recorded.
- A third party acquires an interest at the time of the foreclosure sale.
- Abandonment has occurred when Freddie Mac or the Servicer has reason to know from all the facts and circumstances concerning the status of the Property that the Borrower intended to and has permanently discarded the Property from use. If a Servicer determines that an abandonment has occurred and expects to commence foreclosure proceedings within three months, the reporting obligation generally arises at the end of the three-month period.

The following events trigger the reporting requirement:

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- **Freddie Mac acquisition** – Freddie Mac acquires the Property at a foreclosure sale or by deed-in-lieu of foreclosure
- **Third party sale** – a third party acquires the Property at a foreclosure sale
- **HUD, RHS or VA acquisition** – the Property was acquired by HUD, RHS, or the VA
- **Abandonment** – the Property has been abandoned, three months have passed and foreclosure proceedings have not begun

A completed IRS Form 1099-A must be filed electronically with the IRS on or before March 31 of the year following the calendar year in which the reportable event occurred. A copy of the Form 1099-A must be mailed to each Borrower on or before January 31 of the same calendar year as the Form 1099-A was filed with the IRS.

See Section 43.3(c) in the event that both IRS Forms 1099-A and 1099-C may be filed as the result of a cancellation of debt in connection with a foreclosure or similar action in the same year for the same Borrower.

#### c. **Instructions for filing IRS Form 1099-C, Cancellation of Debt (06/29/17)**

The Servicer must report cancellations of Borrower's Mortgage debt on Internal Revenue Service (IRS) Form 1099-C as required under Section 6050P of the Internal Revenue Code for all cancellations of mortgage debt of \$600 or more occurring on or after January 1, 2005, with respect to Mortgages owned or guaranteed in whole or in part by Freddie Mac. Form 1099-C must be filed regardless of whether the Borrower must report the cancellation of debt as income.

If in the same calendar year, the Servicer cancels a debt in connection with a foreclosure or abandonment of the Property, it is not necessary to file both Forms 1099-A and 1099-C for the same Borrower. The Servicer will meet the filing requirement for Form 1099-A by completing boxes 4, 5, and 7 on Form 1099-C. However, the Servicer may complete both Forms 1099-A and 1099-C separately; in that case, the Servicer should not complete boxes 4, 5, and 7 on Form 1099-C. See [Form 1065M](#) for filing instructions for IRS Forms 1099-A and 1099-C.

Servicers are not required to report the following on IRS Form 1099-C:

- **Interest** - Servicers do not need to include interest as part of the canceled debt in box 2. However, if interest is reported as part of the canceled debt in box 2, show the interest separately in box 3.
- **Nonprincipal amounts** - Nonprincipal amounts include penalties, fines, fees and administrative costs.
- **Release of a Borrower** - IRS Form 1099-C does not need to be filed if one of the Borrowers on a Mortgage is released, as long as the remaining Borrowers remain liable for the full amount of the unpaid Mortgage.
- **Guarantor or surety** - A guarantor is not a debtor for purposes of Form 1099-C, even if demand for payment is made to the guarantor.



For Mortgages originated after 1994 that involve Borrowers who are jointly and severally liable for the Mortgage, the Servicer must report the entire amount of the canceled debt on each Borrower's Form 1099-C. Multiple Borrowers are jointly and severally liable for a debt if there is no clear and convincing evidence to the contrary. If the Servicer can show that joint and several liability does not exist, the Servicer must file Form 1099-C for each Borrower for whom the Servicer canceled a debt of \$600 or more.

For Mortgages originated before 1995, the Servicer must file Form 1099-C only for the primary (or first-named) Borrower. If the Servicer knows or has reason to know that the multiple Borrowers were husband and wife who were living at the same address when the debt was incurred, and the Servicer has no information that these circumstances have changed, the Servicer may file only one Form 1099-C.

For purposes of Form 1099-C, the following instructions apply:

- A debt may include all amounts owed, including stated principal, stated interest, fees, penalties, administrative costs and fines. However, only stated principal is required to be reported. If accrued interest is included in the amount of the stated debt in box 2, then it must be reported in box 3.
- A debt is canceled on the date an identifiable event occurs. An identifiable event is:
  1. Discharge in bankruptcy under Title 11 of the U.S. Code. The Servicer must report the debt canceled in bankruptcy for the later of the year in which the amount of canceled debt first can be determined, or the year in which the debt is canceled in bankruptcy.
  2. A cancellation or extinguishment making the debt unenforceable in a receivership, foreclosure or similar proceeding.
  3. A cancellation or extinguishment when the statute of limitations for collecting the debt expires, or when the statutory period for filing a claim or beginning a deficiency judgement proceeding expires. Expiration of the statute of limitations is an identifiable event only when the Borrower's affirmative statute of limitations defense is upheld in a final judgement or decision of a court and the appeal period has expired.
  4. A cancellation or extinguishment when deficiency rights were not preserved during the foreclosure process.
  5. A cancellation or extinguishment when Freddie Mac makes the determination not to pursue a deficiency action post-foreclosure and notifies the Servicer of such determination.
  6. A cancellation or extinguishment when Freddie Mac elects foreclosure remedies that by law end or bar the creditor's right to collect the debt. This event applies if collection is barred by local law after a "power of sale" in the Mortgage or deed of trust is exercised.
  7. A cancellation or extinguishment due to a probate or similar proceeding.
  8. A discharge of indebtedness under an agreement with the debtor to cancel the debt at less than full consideration (e.g. a short sale). Freddie Mac will advise the Servicer if

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such an agreement is reached with a Borrower.

9. A discharge of indebtedness because of a decision or a defined policy of the creditor to discontinue collection activity and cancel the debt. A creditor's defined policy can be in writing or an established business practice. A practice to stop collection activity and abandon a debt when a particular nonpayment period expires is a defined policy.

Facts and circumstances indicating that a debt was not canceled include the existence of a lien relating to the debt (up to the value of the security) or the sale or packaging for sale of the debt by the creditor.

In the event of a foreclosure sale where deficiency rights were preserved, the Servicer must not initially file a Form 1099-C. Freddie Mac will determine whether to pursue collection of the deficiency of that Mortgage. If Freddie Mac makes a determination not to pursue collection of the deficiency, Freddie Mac will notify the Servicer and the Servicer must then file the IRS Form 1099-C.

Each Servicer must file its reports with the IRS not later than March 31 of the year following the calendar year in which the cancellation of debt occurs.

**d. Instructions for filing Freddie Mac Form 1065M, Report of IRS Form 1099-A and Form 1099-C Filings (04/15/21)**

The Servicer must notify Freddie Mac that the Servicer reported to the IRS electronically. When the Form 1099-A or Form 1099-C is sent to the IRS, the Servicer must submit [Form 1065M](#) to Freddie Mac. The Servicer should not send Freddie Mac copies of the Form 1099-A or Form 1099-C that it filed with the IRS.

When corrections or voids are submitted to the IRS, a copy of [Form 1065M](#) must be submitted to Freddie Mac. [Form 1065M](#) should indicate the number of corrected or voided IRS Forms 1099-A and 1099-C that were submitted to the IRS.

[Form 1065M](#) should be mailed to Freddie Mac at the address shown on the form.

**43.4 IRS Form 1099-MISC, Miscellaneous Income, and IRS Form 1099-NEC, Nonemployee Compensation (08/18/22)**

Servicers must not prepare or file IRS Form 1099-MISC, Miscellaneous Income, or IRS Form 1099-NEC, Nonemployee Compensation, using Freddie Mac's name or Taxpayer Identification Number (TIN). The Servicer should consult with its tax advisor to review its reporting obligations with regard to the filing of Forms 1099-MISC and 1099-NEC.

**43.5 Continuation of Uniform Commercial Code (UCC) financing statements; termination (06/27/19)**

**a. UCC continuation statements (12/14/18)**

During the term of the Mortgage, the Servicer must maintain the continuity of Freddie Mac's perfected security interest in personal property relating to the Property (including chattel and fixtures). The Servicer must monitor the expiration dates of financing statements filed and





recorded with respect to such personal property, and must ensure that all necessary continuation statements (including so-called "in-lieu" filings, if applicable) are filed in a timely manner and recorded with the proper office(s) in accordance with applicable law, prior to the expiration date. Promptly after filing or recordation, the Servicer must electronically deliver evidence of such continuation statements to Freddie Mac.

**b. Termination statements (05/06/05)**

Following payment in full of a Mortgage, the Servicer must promptly file and record termination statements evidencing the release of Freddie Mac's security interest in the personal property located on the Property. The Servicer must file such termination statements, at the Servicer's expense, in each office in which a financing statement has been filed or recorded.

**c. Freddie Mac signature (05/31/12)**

In instances where the Servicer determines that Freddie Mac's signature is required by local law in order for a continuation or termination statement to be accepted for filing or recordation, or to be effective, the Servicer must forward the completed continuation or termination statements to Freddie Mac *Multifamily Asset Management, Borrower Transactions* for signature by Freddie Mac. Freddie Mac will return the signed forms to the Servicer, and the Servicer must then file and record them at its own expense. If Freddie Mac has provided written authorization to the Servicer to execute continuation or termination statements on behalf of Freddie Mac, it is unnecessary for the Servicer to send the statements to Freddie Mac for signature.

**d. Copies to Freddie Mac (09/28/12)**

Promptly following recording or filing, the Servicer must electronically deliver to Freddie Mac a copy of the continuation or termination statement showing all recording or filing information (recorder's stamp, book and page numbers, or instrument number).

**e. Limited power of attorney (06/27/19)**

A Servicer may elect to request a limited power of attorney from Freddie Mac that enables the Servicer to execute continuation and termination statements on behalf of Freddie Mac. The Servicer must request this limited power of attorney in writing from Freddie Mac *Multifamily Asset Management, Borrower Transactions*.

This limited power of attorney is not available to a Servicer that is not a member of the Optigo Lender network.

## **43.6 Unauthorized transfers (04/18/24)**

The Servicer must be alert to unauthorized Transfers of Ownership. Section 41.8 or Section 41SBL.8, if applicable, describes what the Servicer must do if it learns of an unauthorized Transfer of Ownership. In order to determine whether and under what circumstances a Borrower may carry out a Transfer of Ownership, the Servicer must first determine what actions the Loan Documents permit. Chapter 41 fully describes the requirements with regard to Transfers of Ownership.



## 43.7 Late charges; default interest (04/18/24)

### a. Mortgages originated on or after July 8, 1992 (06/30/16)

For Mortgages originated on or after July 8, 1992, the Servicer must remit collected late charges and default interest to Freddie Mac as described below:

- For fixed-rate Mortgages, other than TAH bond credit enhancement Mortgages, the Servicer may retain all late charges collected by the Servicer within 30 days after the Due Date of the related installment. The Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of any late charges collected by the Servicer more than 30 days after the Due Date of the related installment. Freddie Mac reserves the right to waive any late charge, in its discretion.
- For ARMs, the Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of all late charges collected by the Servicer. Freddie Mac reserves the right to waive any late charge, in its discretion.
- For SBL Hybrid ARM Mortgages:
  - During the period in which the fixed interest rate is in effect, the Servicer may retain all late charges collected by the Servicer within 30 days after the Due Date of the related installment. The Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of any late charges collected by the Servicer more than 30 days after the Due Date of the related installment.
  - During the period in which the adjustable interest rate is in effect, the Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of all late charges collected by the Servicer.
  - Freddie Mac reserves the right to waive any late charge, in its discretion.
- The Servicer must remit all collected default interest to Freddie Mac *Multifamily Loan Accounting*.

### b. Mortgages originated prior to July 8, 1992 (08/30/13)

For Mortgages, other than TAH bond credit enhancement Mortgages, originated prior to July 8, 1992, the Servicer may retain late charges and default interest as additional Servicing compensation. In imposing late charges and/or default interest, the Servicer:

- May collect increased interest (default interest) during Delinquencies or other defaults only to the extent expressly provided for in the Note
- May not impose any late charge for any monthly installment received within 10 days after the payment is due (If the grace period ends on a weekend or holiday, it is extended to the next Business Day.)
- May not impose a late charge in an amount more than five percent of the monthly principal and interest installment that is late (or any lesser amount specified in the Note)



**c. Collection of late charges and default interest (04/30/13)**

To the extent permitted by applicable law, the Servicer must use its best efforts to collect unpaid late charges and default interest. For example, if allowable under local law, the Servicer must require the Borrower to pay such amounts prior to release of the Mortgage.

For all Mortgages, regardless of the date of origination or any provision to the contrary in the Loan Documents, the Servicer may not use any of the following methods to collect due and unpaid late charges or default interest:

- Charging the Borrower's Reserves
- Deducting from a regular payment of the monthly installment
- Deducting from a payment made to partially or fully cure a Delinquency
- Adding to the outstanding principal balance of the Mortgage
- Bringing a legal collection action against the Borrower, unless:
  - The Servicer projects that the expected recovery will exceed the cost of the action, and
  - The Servicer obtains the prior written consent of Freddie Mac for such action

**d. Waiver of the collection of a late charge (04/18/24)**

For all fixed-rate Mortgages, the Servicer has the authority to waive, without the consent of Freddie Mac, the collection of a late charge for a payment received less than 30 days after the scheduled payment date. The Servicer may grant this waiver up to three times during the life of a Mortgage, provided that:

- The Servicer determines that the Borrower has a justifiable reason for the request,
- The late payment is not due to cash flow problems, and
- The Mortgage:
  - Has not been late within the last 12 months,
  - Has a Risk Rating of six or less,
  - Is not in default,
  - Has not been securitized, and
  - Is not credit-enhanced by a third party.

If the late payment is due to cash flow problems, the Seller/Servicer may not waive the late charge and must contact Freddie Mac *Multifamily Asset Management, Borrower Transactions*



or, for Structured Transactions, *Multifamily Asset Management*, *Structured Transactions*, to approve this request.

The Servicer may only agree to a third waiver request if the Borrower agrees to, or in the case of a fixed-rate SBL Mortgage, is already required to, auto-debit the required payment for a minimum of the next 12 months.

The waiver must be approved by a supervisor or a higher-level manager of the Servicer and the Servicer must notify Freddie Mac of any actions taken under the delegated approval within 30 days of the effective date of the approval by electronically delivering to Freddie Mac the [General Servicing Request](#), along with any supporting documentation.

The Servicer must document the waiver and retain evidence of the waiver in the Mortgage File. The Servicer may not waive collection of any late charge payable under the Note for an ARM, an SBL Hybrid ARM, or a TAH bond credit enhancement Mortgage.

**e. Request for waiver (04/18/24)**

After a Servicer has granted three waivers of the collection of late charges per Section 43.7(d), or if Section 43.7(d) otherwise does not permit the Servicer to approve a waiver request, if the Servicer determines that a waiver is necessary or desirable, the Servicer must take the following actions:

1. Enter the waiver request into CRT. The CRT record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver the [General Servicing Request](#) form, including any necessary supporting documentation.

**43.8 Casualty losses and natural disaster losses (09/14/23)**

**a. Form 1140, Hazard Loss Notification (09/14/23)**

**1. Form 1140, Part I – Notification**

The provisions of Section 43.8(a)(1) apply to a Mortgage secured by a Property that suffers a loss or damage and meets any of the following conditions:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event
- The Mortgage is an SBL Mortgage and the estimated loss is greater than \$25,000
- The Mortgage is a non-SBL Mortgage and the estimated loss is greater than \$50,000

As soon as possible, but in no event more than 14 calendar days after a Servicer learns that a loss or damage has occurred with respect to a Property, regardless of whether the Borrower plans to submit an insurance claim, the Servicer must:



- Complete [Form 1140](#), Part I - Notification
- Upload the completed form to the Document Management System (DMS), using the “File Submission” link to “Submit to Hazard Loss”

If the restoration is already 100 percent complete, the Servicer must upload a fully completed [Form 1140](#), Part I – Notification and either a fully completed Part I – Follow Up or Part II – Restoration Plan for Approval (depending on whether Freddie Mac approval is required under Section 43.8(a)(3)) to DMS and use the “File Submission” link to “Submit to Hazard Loss”.

## **2. Form 1140, Part I – Follow Up**

If none of the Freddie Mac approval conditions listed in Section 43.8(a)(3) exist, then within 90 calendar days after the Servicer submitted Part I – Notification, or earlier upon Freddie Mac request, the Servicer must upload a fully completed Part I – Follow Up to the corresponding Property Reporting System (“PRS”) entry.

## **3. Form 1140, Part II – Restoration Plan for Approval:**

If none of the Freddie Mac approval conditions listed below exist, then the Servicer is not required to complete Part II of [Form 1140](#).

If one or more of the following conditions exists, Freddie Mac approval of the Borrower’s restoration plans is required:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event
- The percentage of units that sustained any damage is 10 percent or more of the Property’s total units
- The estimated loss amount is greater than \$500,000 or 10 percent of the outstanding UPB
- For non-SBL Mortgages, the estimated loss exceeds the Borrower Proof of Loss Maximum (as defined in the Loan Agreement)
- The Mortgage has not been securitized, has a Risk Rating greater than six and the estimated loss is greater than \$50,000
- The Borrower’s insurance coverage is insufficient to cover the loss to the Property or loss of rents/business income and the estimated loss amount is greater than \$50,000

If Freddie Mac approval is required for the Borrower’s restoration plans, the Servicer must complete [Form 1140](#), Part II – Restoration Plan for Approval within 90 calendar days after the Servicer submitted Part I – Notification, and provide it to Freddie Mac as follows:



- If the Servicer has not previously submitted [Form 1140](#), Part I – Notification, the Servicer must upload the completed Part I – Notification and Part II to DMS and use the “File Submission” link to “Submit to Hazard Loss”
- If the Servicer has previously submitted [Form 1140](#), Part I – Notification, the Servicer must upload Part II – Restoration Plan for Approval directly to the corresponding PRS entry

Freddie Mac will review the Servicer's recommendations and provide its approval or directions for alternate action. Under most circumstances, Freddie Mac will delegate responsibility for managing and approving disbursement requests to the Servicer. If delegation of disbursement requests is not approved, the Servicer must submit [Form 1140-DR](#) to the corresponding PRS entry.

If the Servicer is requesting approval to permit the Borrower to pay down the Mortgage in lieu of restoring all or a portion of the damaged Property, the Servicer must make a Consent Request Tracker (CRT) entry and submit corresponding consent request approval documentation to Freddie Mac.

**b. Reserved (03/30/12)**

**c. Use of insurance proceeds (06/30/16)**

1. The Servicer must require the Borrower to obtain either a "repair or replacement" settlement to use the insurance proceeds to rebuild/repair the damaged Property or to obtain an "actual cash value" settlement to pay down the principal balance of the Mortgage; the type of settlement required for the Mortgage will be determined in Freddie Mac's discretion in accordance with the applicable terms of the Loan Documents, and additionally for SBL Mortgages, in accordance with Sections 43.8(c)(3) and 43.8(c)(4). If, in its discretion, Freddie Mac requires that the Borrower obtain an actual cash value settlement to use the proceeds to pay down the principal balance of the Mortgage, the Borrower may request that the Servicer and Freddie Mac review current income and expense information to assess the economic viability of the Property and reconsider the decision regarding the use of the proceeds.
2. Unless the Loan Documents provide otherwise, if the Borrower uses the proceeds to pay down the principal balance of the Mortgage, no prepayment premium will be assessed with respect to that payment. If 20 percent or more of a building or Property is damaged or destroyed and Freddie Mac agrees to allow the use of the proceeds to repair or rebuild the Property, Freddie Mac may, in its discretion, require that the Servicer hold the proceeds in escrow and disburse them as work is completed in a workmanlike manner, bills are presented and the work is inspected.
3. For SBL Mortgages, if none of the conditions set forth in Section 43.8(c)(4) exist, then following a casualty that results in damage to the Property for which the cost of repairs will be less than \$100,000, the Servicer may authorize the Borrower to make proof of loss and adjust and compromise the claim without the prior consent of Freddie Mac, and the Servicer must hold the applicable insurance proceeds to be used to reimburse the Borrower for the cost of restoration of the Property and will not apply such proceeds to the payment of the principal amount of the SBL Mortgage.





4. For SBL Mortgages, Freddie Mac may require the Servicer to apply insurance proceeds to pay down the principal balance of the SBL Mortgage if Freddie Mac determines, in Freddie Mac's discretion, that any of the following conditions exist:
  - An event of default (or any event, which, with the giving of notice or the passage of time, or both, would constitute an event of default) has occurred and is continuing.
  - There will not be sufficient funds from insurance proceeds, anticipated contributions of the Borrower of its own funds or other sources acceptable to Freddie Mac to complete the restoration.
  - The rental income from the Property after completion of the restoration will not be sufficient to meet all operating costs and other expenses, deposits to reserve funds required by the Loan Agreement and loan repayment obligations relating to the Property.
  - The restoration will be completed less than (i) six months prior to the maturity date of the loan if re-leasing will be completed prior to the maturity date, or (ii) 12 months prior to the maturity date if re-leasing will not be completed prior to the maturity date.
  - The restoration will not be completed within one year after the date of the loss or casualty.
  - The casualty involved an actual or constructive loss of more than 30 percent of the fair market value of the Property, and rendered untenable more than 30 percent of the residential units of the Property.
  - After completion of the restoration the fair market value of the Property is expected to be less than the fair market value of the Property immediately prior to such casualty (assuming the affected portion of the Property is re-let within a reasonable period after the date of such casualty).
  - Leases covering less than 35 percent of the residential units of the Property will remain in full force and effect during and after the completion of restoration.

**d. Servicer responsibilities following a casualty loss (09/14/23)**

Upon learning of loss or damage to the Property, the Servicer must:

1. Verify the extent of the loss or damage to the Property, including any impact on the habitability of units, health and safety of residents, condition of common areas, and the expected effect on the occupancy and financial strength of the Property.
2. Complete and submit Parts I and II of the [Form 1140, Hazard Notification and Plan](#), in accordance with Sections 43.8(a) and (b) above.
3. Ensure that the Borrower has taken all necessary and timely steps to:
  - a. Secure the Property





- b. Give adequate notice of the loss to the insurance carriers
  - c. Process the claim
  - d. If applicable, file for any disaster relief aid and notify Freddie Mac of the filing
4. Ensure that all insurance proceeds are delivered to the Servicer in the form of checks or drafts made jointly payable to Freddie Mac in care of the Servicer and to the Borrower. Freddie Mac hereby grants the Servicer authority to endorse such checks or drafts on Freddie Mac's behalf.
5. Ensure the judicious disbursements of insurance proceeds. The Servicer may only disburse insurance proceeds to a Borrower or release the proceeds from escrow upon the Servicer's verification that the work the funds will pay for has been satisfactorily completed.

If Freddie Mac approval of the Servicer's recommendation is required, the Servicer may not make any disbursements of insurance proceeds to the Borrower until Freddie Mac has given its written approval to the Servicer regarding the handling of the loss or damage.

- Under most circumstances, the Servicer will be responsible for managing and approving disbursement requests. However, if Freddie Mac approval of disbursement requests is required, the Servicer must complete and submit to Freddie Mac [Form 1140-DR, Hazard Loss Disbursement Request](#), for each draw request. The Servicer may not make any disbursements of insurance proceeds to the Borrower until Freddie Mac has received this form and has provided Freddie Mac's written approval to the Servicer of the Servicer's recommendations regarding the disbursement of insurance proceeds. For an SBL Mortgage, the Servicer's recommendation must include a confirmation that none of the conditions set forth in Section 43.8(c)(4) exist. The first [Form 1140-DR, Hazard Loss Disbursement Request](#), may be submitted with Part II – Restoration Plan for Approval of the [Form 1140, Hazard Loss Notification and Plan](#), if the situation requires simultaneous review of the hazard loss recommendations and the first Disbursement Request.
  - If Freddie Mac approval of disbursements is not required, the Servicer is not required to complete or submit the [Form 1140-DR](#).
  - The Servicer is responsible for monitoring the repair or restoration of the Property, including, when appropriate or in Freddie Mac's discretion, the employment of a qualified inspector or physical engineer to inspect the repairs or restoration.
6. Protect the priority of the Mortgage by obtaining, when the Servicer deems it necessary in the exercise of its prudent judgment or when required by Freddie Mac, waivers or releases of liens from all contractors and suppliers supplying labor or materials for the repairs and restorations.
  7. Record in the servicing loss file details of the loss or damage, the repairs or restoration to the Property, and disposition of insurance proceeds. Include any inspection reports (with photographs) completed by Servicer or third parties of the initial damage, progress inspections and completion inspection.



**e. Freddie Mac Annual Inspection Form (AIF) (06/28/13)**

In any subsequent AIF the Servicer must report on the status of the loss until it is fully resolved.

**f. Notice of completion of restoration of the Property (09/14/23)**

The Servicer must use its prudent judgment in determining whether all loss or damage has been resolved or repaired, as applicable. The Servicer may take the following actions, as appropriate, to ensure full remediation has taken place:

- Employing a qualified inspector or physical engineer to inspect the repairs or restoration
- Obtaining waivers or releases of liens from all contractors and suppliers supplying labor or materials for the repairs and restorations
- Requiring the Borrower to submit the Freddie Mac Multifamily [Completion of Restoration Certificate](#) when Freddie Mac restoration plan for approval is required

Within 30 days after the Servicer determines and documents that full remediation has occurred, the Servicer must provide written notification to Freddie Mac *Multifamily Asset Management, Surveillance Compliance* via email at [MF\\_Loan\\_Compliance@freddiemac.com](mailto:MF_Loan_Compliance@freddiemac.com) or upload to the corresponding Loan Item Tracking (“LIT”) in the Property Reporting System (“PRS”). If the Servicer reports closure of the item in any other report to *Multifamily Asset Management*, the Servicer is held to the same standard regarding ensuring full remediation of the loss or damage.

**g. Servicer responsibility following a natural disaster loss (09/14/23)**

When a Servicer learns of a natural disaster (hurricane, earthquake, flood, tornado, etc.) via media or otherwise, the Servicer must take the following steps:

- Review its Freddie Mac Servicing portfolio and identify Properties potentially impacted by a Federal Emergency Management Agency (FEMA) Major Disaster declaration authorizing Individual Assistance
- Contact the Borrower for each potentially impacted Property to determine if the Property suffered any damage due to a natural disaster and if so, the extent of such damage

Note that FEMA Major Disaster areas authorized for Individual Assistance are designated by county and a Property may not be specifically located within the area of the county actually impacted by a disaster (wildfires for example).

Therefore, the Servicer should:

- Perform additional due diligence and assess and monitor local information available to determine if damage could have occurred at a Property; and
- Contact a Borrower in instances where the Servicer is unable to determine if a Property lies within an area of a FEMA designated county actually impacted by a natural disaster



- Promptly send an email to *Multifamily Asset Management, Surveillance Compliance* via email at [MF\\_Loan\\_Compliance@freddiemac.com](mailto:MF_Loan_Compliance@freddiemac.com) listing the potentially impacted Properties and initial details as to whether damage occurred

If the natural disaster has resulted in losses or damage to a Property the Servicer must:

1. Verify the extent of the losses or damages
2. Secure any abandoned Property
3. Assist the affected Borrower in filing for any disaster relief aid available
4. Notify Freddie Mac *Multifamily Asset Management, Surveillance Compliance* via email at [MF\\_Loan\\_Compliance@freddiemac.com](mailto:MF_Loan_Compliance@freddiemac.com) to determine appropriate follow-up actions and instructions regarding repairs

### 43.9 Reserved (06/30/16)

### 43.10 Easements (04/18/24)

This Section 43.10 does not apply to Infrastructure Agreement Servicing Requests, as described in Section 43.32.

#### a. Easements the Servicer is permitted to approve (04/18/24)

1. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve the types of easements described in Section 43.10(a)(3) if all the following conditions are satisfied:
  - The Servicer determines, in its discretion, that the easement will not materially affect the operation or value of the Property or Freddie Mac's interest in the Property.
  - The Borrower is not requesting that Freddie Mac subordinate the lien of its Mortgage to the easement. For any such Borrower request, see Section 43.10(e).
  - The Servicer has not received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization.
  - The Mortgage does not back a Freddie Mac Multifamily Participation Certificate, a Freddie Mac Bond Credit Enhancement transaction or a Freddie Mac tax-exempt or taxable Multifamily bond securitization.
  - There are no investors who have provided credit enhancements for the Mortgage other than a Seller/Servicer, the Borrower or an Affiliate of the Borrower.
2. The Servicer must enter the Borrower request into the Consent Request Tracker as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is not required for Mortgages owned by Freddie Mac.



3. For any Mortgage which meets the requirements of Section 43.10(a)(1), the Servicer may approve the following types of easements:
  - A. Easements for local residential distribution of gas, water, electricity or other public utilities that do not have any adverse effect on the value of the Property.
  - B. Infrastructure Agreements constituting easements that Servicer is permitted to approve under Section 43.32.
  - C. Easements for the benefit of a third party (other than for local residential distribution of gas, water, electricity or other public utility) if all the following conditions are satisfied:
    - i. The Servicer has determined that there is no material adverse impact on the Property's value, operation, access, marketability, or on the income production of units or other income-producing improvements.
    - ii. The Property secures a Mortgage having a UPB of \$30 million or less as of the date of the Borrower's easement application with the Servicer.
    - iii. The Property secures a Mortgage with a Risk Rating of six or less.
    - iv. The Mortgage is current, with no evidence of default.
    - v. Compensation for the easement is less than the lesser of 0.5 percent of the UPB or \$100,000.
    - vi. The proposed easement is compatible with the use of the Property and would be generally acceptable to prudent lenders.
    - vii. A supervisor or higher-level manager on the Servicer's staff has approved the easement using the [Easement Request](#).

**b. Documentation for an easement not requiring Freddie Mac approval (04/18/24)**

Within 30 days after the grant of an easement not requiring Freddie Mac approval, the Servicer must:

- Notify Freddie Mac of any actions taken under the delegated approval within 30 days of the effective date of the approval by electronically delivering the Easement Request.
- Electronically deliver to Freddie Mac a copy of the Borrower request and the executed, recorded easement agreement. If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must electronically deliver a copy showing the required information as soon as such information is available.

For any easement that does not require Freddie Mac approval, the Servicer may charge the Borrower a nonrefundable review fee for an application in the amount specified in the Loan



Documents, or, if no amount is specified, in the amount set forth in [Exhibit 10](#). The Servicer may retain the entire fee, if any.

**c. Recordation of an easement not requiring Freddie Mac approval (09/22/17)**

For an easement not requiring Freddie Mac approval, Freddie Mac will provide each Servicer with a written limited power of attorney. The limited power of attorney will delegate to each Servicer the authority to sign certain documents on behalf of Freddie Mac for the limited purpose of approving an easement of one of the types set forth in Section 43.10(a). Any documents necessary to evidence the approval of such an easement must be executed by the Servicer as "[Name of Servicer], as Attorney-in-Fact for Freddie Mac."

The Servicer must maintain a record of each jurisdiction in which the limited power of attorney is recorded. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's limited power of attorney has been recorded. The Servicer must comply with all local recording requirements and is solely responsible for paying any recording fee assessed by the applicable authority.

**d. File retention requirements for an easement not requiring Freddie Mac approval (09/22/17)**

The Servicer must maintain a file that contains the following information for a delegated easement approval:

- Borrower's original request for approval and required information
- Evidence of the Servicer's analysis and approval of the request
- Copies of the Servicer's notification of the approval to the Borrower and Freddie Mac
- Copies of the executed easement agreement and any other document signed on Freddie Mac's behalf

The Servicer must maintain the file in accordance with the requirements set forth in Section 34.4.

**e. Procedure for an easement requiring Freddie Mac approval (04/18/24)**

For any Mortgage for which the Servicer is not delegated approval authority under Section 43.10(a), the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1 - 8 below, electronically deliver those items to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

For all easements that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in [Exhibit 10](#). The Servicer must remit to Freddie Mac 50 percent of the review fee, if any, and may retain the remaining 50 percent. The Servicer may



not charge the Borrower any additional fees for processing an application for approval of an easement.

At the time of delivery of the request to Freddie Mac, the Servicer must remit to Freddie Mac the Freddie Mac portion of any review fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or *Multifamily Asset Management, Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number

The Servicer must deliver each of the following documents:

1. A completed [Easement Request](#), available via [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset), which must include the Servicer's analysis along with the Servicer's recommendation for action
2. [Form 1125, Borrower Application for Partial Release or Easement](#), completed and signed by the Borrower and any Guarantor(s)
3. Copy of the proposed easement agreement (including a complete legal description of the land that will be subject to the easement) and any proposed agreement to subordinate the Mortgage to the easement
4. Survey that shows the land subject to the easement (including a complete legal description) and any affected improvements and clearly delineates the location of the easement (If the easement is a blanket easement, a survey is not required. If the easement can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Seller may use that copy to delineate the easement.)
5. Title update report, if requested by Freddie Mac
6. If the Servicer determines that there may be legal issues raised by the easement, a preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 or Section 6SBL.7, if applicable. If the Servicer does not submit a PLIM, and Freddie Mac determines that the transaction raises legal issues, Freddie Mac reserves the right to request that the Servicer deliver a PLIM
7. After the Servicer receives notification from Freddie Mac that a Mortgage has been designated for inclusion in a Securitization, if requested by Freddie Mac, the Servicer must deliver an opinion of counsel addressed to Freddie Mac and obtained at no expense to Freddie Mac which meets each of the following requirements:
  - The counsel providing the opinion is acceptable to Freddie Mac
  - The opinion is in form and substance satisfactory to Freddie Mac in its sole and absolute discretion





- The opinion confirms each of the following:
  - The grant of such easement has been effected in accordance with the requirements of Treasury Regulation Section 1.860G-2. (a)(8) (as such regulation may be modified, amended or replaced from time to time)
  - If the grant of easement occurs following the Securitization, then the qualification and status of the REMIC trust as a REMIC will not be adversely affected or impaired as a result of such grant
  - If the grant of easement occurs following the Securitization, then the REMIC trust will not incur a tax under Section 860G(d) of the Tax Code as a result of such grant

8. Any other information requested by Freddie Mac

Freddie Mac will determine whether to approve the proposed easement and subordination, if applicable, and will advise the Servicer, in writing, of that decision. The approval letter will set forth any further requirements, including payment of counsel fees.

If Freddie Mac approves the request, the Servicer must submit to Freddie Mac an execution-ready easement agreement, the subordination agreement (if applicable) and any other document that must be executed by the lender. Before submitting documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to ensure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the easement, lease or subordination approved by Freddie Mac, including the legal description supported by the survey

**f. Recordation of an easement requiring Freddie Mac approval (09/22/17)**

The Servicer must comply with all local recording requirements and arrange for recordation of the easement agreement, the subordination agreement (if applicable), and any other applicable document at no cost to Freddie Mac.

**g. Required documentation for an easement requiring Freddie Mac approval (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy of:

- The easement agreement and subordination agreement (if applicable), showing signatures and recording information. If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must deliver a copy showing the required information as soon as such information is available.
- Any other document required by the Freddie Mac approval letter





## 43.11 Request for partial release of Property (04/18/24)

### a. Partial releases the Servicer is permitted to approve (06/30/16)

1. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve certain partial releases unless one of the following applies:
  - The Mortgage was originated on a Note labeled “CME”
  - The Mortgage was originated on a Note with a revision date on or after March 1, 2014
  - The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
  - The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization
2. For any Mortgage which meets the requirements of Section 43.11(a)(1), the Servicer may approve only partial releases that meet the following criteria:
  - a. The request for the partial release is not for improved collateral.
  - b. The request for the partial release does not relate to a TAH Bond credit enhancement transaction with compensation for the partial release.
  - c. The partial release is in favor of a municipality or government agency.
  - d. The partial release will have no adverse impact on the Property value. (The LTV Ratio after the partial release is not greater than before the partial release.)
  - e. The Property secures a Mortgage that has a Risk Rating of six or less, is not in default, is not credit-enhanced by a third party and is not a credit-enhanced bond.
  - f. Compensation for the partial release is less than the lesser of 0.5 percent of the UPB or \$100,000.
  - g. The Servicer has received and reviewed either:
    - A zoning report, or
    - A Preliminary Legal Issues Memorandum meeting the requirements of Section 6.4 or Section 6SBL.7, as applicable, confirming that the Property will remain in compliance with all zoning regulations after the partial release.
  - h. If the Servicer determines that legal issues may be raised by the partial release, the Servicer has received and reviewed a preliminary legal issues memorandum meeting the requirements of Section 6.4 or Section 6SBL.7, as applicable.



- i. A supervisor or higher-level manager on the Servicer's staff approved the partial release using the [Property Partial Release Request](#).
- j. There are no additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower).

For any partial release that does not require Freddie Mac approval, the Servicer may charge the Borrower a nonrefundable review/processing fee in the amount specified in the Loan Documents, or, if not specified, in the amount set forth in [Exhibit 10](#). The Servicer may retain the entire fee.

**b. Documentation required following Servicer's delegated approval of a partial release (09/18/14)**

Following a delegated approval of a partial release, the Servicer must electronically deliver to Freddie Mac, using the Property Partial Release Request, each of the following:

- A copy of the Servicer's approval
- Survey that shows both the land to be released and the land remaining under the lien of the Mortgage, including a complete legal description of both the land to be subject to the partial release and the land remaining under the lien of the Mortgage, (If the land to be released and the land remaining can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Servicer may use that copy to delineate the land to be released. The Servicer must be able to delineate clearly on the survey the location of the land to be released and the land remaining under the lien of the Mortgage.),
- Copy of the proposed partial release (including a complete legal description of the land to be released)

The Servicer must also deliver original documents to be executed by Freddie Mac to complete and record the partial release.

**c. Information required with a request for Freddie Mac approval of a partial release (04/30/19)**

For any Mortgage for which the Servicer is not delegated approval authority under Sections 43.11(a) and (b), the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1-13 below, the Servicer must electronically deliver those materials to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

For all partial releases that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review/processing fee for an application in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in [Exhibit 10](#). The Servicer must remit to Freddie Mac 50 percent of the review/processing fee, if applicable, and



may retain the remaining 50 percent. The Servicer may not charge the Borrower any additional fees for processing an application for approval of a partial release.

At the time of delivery of the partial release request to Freddie Mac, the Servicer must remit to Freddie Mac by wire transfer the Freddie Mac portion of the review/processing fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number

The Servicer must deliver each of the following documents:

1. A completed [Property Partial Release Request](#), which must include the Servicer's analysis along with the Servicer's recommendation for action
2. [Form 1125](#), Borrower Application for Partial Release or Easement, completed and signed by the Borrower and any Guarantor(s)
3. Survey that shows both the land to be released and the land remaining under the lien of the Mortgage, including a complete legal description of both the land to be subject to the partial release and the land remaining under the lien of the Mortgage (If the land to be released and the land remaining can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Seller may use that copy to delineate the land to be released. The Servicer must be able to clearly delineate the location of the land to be released and the land remaining under the lien of the Mortgage on the survey.)
4. Copy of the proposed partial release (including a complete legal description of the land to be released)
5. Title update report dated not earlier than 45 days before the date of [Form 1125, Borrower Application for Partial Release or Easement](#)
6. Written explanation of the process to be followed in separating the tax lots, if applicable
7. Payment history of the Freddie Mac Mortgage for the previous 12 months
8. Color photographs of the land to be released, if requested by Freddie Mac
9. A Freddie Mac Annual Inspection Form (AIF), if requested by Freddie Mac
10. A zoning report or preliminary legal issues memorandum confirming that the Property will remain in compliance with all zoning regulations after the partial release
11. If the Servicer determines that there are possible legal issues raised by the partial release, a preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 or Section 6SBL.7, if applicable. If the Servicer does not submit a PLIM, and Freddie Mac

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determines that the transaction raises legal issues, Freddie Mac reserves the right to request that the Servicer deliver a PLIM.

12. The Servicer's DCR and LTV analysis, addressing any changes resulting from the release and mitigating any negative changes (Note that an appraisal may be required to establish value for the proposed release parcel)

13. Any other information requested by Freddie Mac

**d. Freddie Mac approval (04/30/19)**

Freddie Mac will determine whether to approve the proposed partial release and will advise the Servicer, in writing, of that decision. Freddie Mac may require that any consideration being paid to the Borrower for the released land be applied to the UPB of the Mortgage to obtain an LTV Ratio no higher than the LTV Ratio of the Mortgage immediately before the partial release or to reduce the LTV Ratio (if Freddie Mac determines that the intended use of the released land would adversely affect the value of the remaining Property).

The approval letter will set forth any further requirements and will require the Servicer to collect a counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, including its in-house counsel. The Servicer must remit the counsel fee by wire transfer to Freddie Mac at the same time it submits the approval letter that the Servicer executes and returns to evidence its acceptance of the terms, or as otherwise instructed in the approval letter. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

If Freddie Mac approves the proposed partial release, the Servicer must submit to Freddie Mac an execution-ready partial release and, if applicable, any other documents that must be executed by the lender. Before submitting the proposed partial release and any other applicable documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to assure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the partial release approved by Freddie Mac, including a legal description supported by the survey

**e. Recordation (05/07/07)**

The Servicer must comply with all local recording requirements and arrange for recordation of the partial release and any other applicable documents at no cost to Freddie Mac.

**f. Documents required after partial release (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must deliver the following documents to Freddie Mac:

- By electronic delivery, the partial release, showing signatures and recording information (If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must deliver a copy showing the required information as soon as such information is available.)
- The original title endorsement updating the Property legal description and reflecting recording of the partial release
- Any other document required by the Freddie Mac approval letter

**43.12 Condemnation/ eminent domain (06/30/16)****a. Requirements applicable to both non-SBL and SBL Mortgages (06/30/16)**

For any full or partial taking of the Property by condemnation or eminent domain, the Servicer must take the following actions after receiving notice of the initiation of such action:

- Enter the Borrower request into the Consent Request Tracker, as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1-13 of Section 43.11(c), electronically deliver those materials to Freddie Mac, together with the Borrower's request and the Servicer's recommendation; for an SBL Mortgage, the Servicer's recommendation must include an analysis of the requirements set forth in Section 43.12(b)
- Charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in [Exhibit 10](#), and submit the review fee, if applicable, by wire transfer in the manner described in Section 43.11(c)
- Advise Freddie Mac whether either of the following circumstances exists:
  - The Property will be taken in whole and the consideration to be paid to the Borrower will be insufficient to satisfy the UPB of the Mortgage
  - The Property will be taken in part and the ratio of the UPB of the Mortgage to the current appraised value of the remaining Property is higher than the LTV Ratio of the Mortgage immediately before the taking, even after applying any consideration to reduce the UPB of the Mortgage.

**b. Additional requirements applicable to SBL Mortgages (06/30/16)**

Subject to the terms of the Loan Agreement (including Section 6.11(c) of the Loan Agreement), in the event of a partial condemnation of the Property, if the Servicer has determined that no event of default, or any event which, with the giving of notice or the passage of time, or both,



would constitute an event of default, has occurred and is continuing, then in the event of a partial condemnation resulting in proceeds or awards in the amount of less than \$100,000, the Servicer may authorize the Borrower to make proof of loss, adjust and compromise the claim and collect and receive any proceeds directly without the approval or prior consent of Freddie Mac so long as the proceeds or awards are used solely for the restoration of the Property.

In the event of a partial condemnation of the Property resulting in proceeds or awards in the amount of \$100,000 or more and subject to the terms of the Loan Agreement, Freddie Mac may require the Servicer to apply condemnation proceeds to the principal balance of the Mortgage if Freddie Mac, in Freddie Mac's discretion, determines that any of the following conditions is met:

- An event of default (or any event, which, with the giving of notice or the passage of time, or both, would constitute an event of default) has occurred and is continuing.
- There will not be sufficient funds from condemnation proceeds, anticipated contributions of Borrower of its own funds or other sources acceptable to Freddie Mac to complete the restoration.
- The rental income from the Property after completion of the restoration will not be sufficient to meet all operating costs and other expenses, deposits to Reserve funds and Mortgage repayment obligations relating to the Property.
- The restoration will not be completed at least one year before the maturity date of the Mortgage (or six months before the maturity date if re-leasing of the Property will be completed within such six-month period).
- The restoration will not be completed within one year after the date of the condemnation.
- The condemnation involved an actual or constructive loss of more than 15 percent of the fair market value of the Property, and rendered untenable more than 25 percent of the residential units of the Property.
- After restoration the fair market value of the Property is expected to be less than the fair market value of the Property immediately prior to the condemnation (assuming the affected portion of the Property is re-let within a reasonable period after the date of the condemnation).
- Leases covering less than 35 percent of residential units of the Property will remain in full force and effect during and after the completion of restoration.

### 43.13 Maturing Mortgages (04/18/24)

As a Mortgage approaches its maturity date, the Servicer must maintain contact with the Borrower and must keep Freddie Mac informed about the Borrower's plans regarding payoff of the Mortgage. Approximately six months prior to the maturity date of the Mortgage, *Multifamily Special Servicing* may request the Servicer to complete a [Form 1101, Legal Referral Form](#), and provide certain other information. The Servicer must return the completed [Form 1101](#) and any other requested information to Freddie Mac within 10 days of the request.



**a. Refinance candidates (06/27/19)**

The Servicer must evaluate each maturing Mortgage to determine whether the Mortgage may qualify for refinancing under a Freddie Mac purchase program or product and whether the Borrower is interested in pursuing such a refinance. The Servicer must advise Freddie Mac of the results of its analysis. Additional action to be taken depends upon whether the Servicer is a member of the Optigo Lender network.

**1. If the Servicer is a member of the Optigo Lender network**

If the Mortgage appears to qualify for a refinancing under a Freddie Mac purchase program or product and the Borrower is interested, the Seller/Servicer must contact the Applicable Freddie Mac *Multifamily Regional Office* to initiate a transaction.

**2. If the Servicer is not a member of the Optigo Lender network**

Freddie Mac may, in its sole discretion, elect to provide the Borrower with a list of Optigo Lenders for the geographic region in which the Property is located.

**b. Monitoring of payoff plans (04/18/24)**

The Servicer must keep Freddie Mac informed of the Borrower's efforts to secure alternate refinancing or to market and sell the Property to pay off the maturing Mortgage.

**1. Letters to Borrower**

The Servicer must send letters to the Borrower at the following times, requesting information about the Borrower's plans to pay off the Mortgage at maturity:

- Nine months prior to maturity
- Six months prior to maturity, if the Borrower has not responded to the previous letter
- Three months prior to maturity, if the Borrower has not responded to any prior letters

The Servicer may send each letter by certified mail, return receipt requested or via email. A copy of the Servicer's letter and any Borrower response must be sent to the assigned *Multifamily Asset Resolution Analyst* upon request.

Each letter listed above must emphasize that Freddie Mac expects that the Mortgage will be paid in full in accordance with its terms on or before the maturity date and that a failure to do so will constitute a default under the terms of the Mortgage.

**2. Additional contacts with Borrower**

If the Servicer has received no response from the Borrower within 30 days following its letter sent six months prior to the maturity date, the Servicer must attempt to contact the Borrower by telephone or in person to request the information regarding the Borrower's plans to pay off the Mortgage at maturity.





If the Servicer has not received a request for a payoff statement by the 30th day prior to the maturity date of the Mortgage, the Servicer must attempt to contact:

- The Borrower by telephone to confirm Borrower's source of funds to pay off the Mortgage at maturity, or
- The new lender directly for confirmation of its commitment to the Borrower, in the case of a third-party refinance.

### 3. Extensions

On a case-by-case basis, Freddie Mac may consider extension of a Mortgage to enable a Borrower to obtain funds to pay off a maturing Mortgage. Any extension will be on conditions specified by Freddie Mac. Those terms may include payment of an extension fee, an increase in the Mortgage interest rate, revised amortization, a paydown of the loan amount, and payment of all administrative costs in connection with the extension.

#### c. Transfer of Servicing of a matured Mortgage (10/07/08)

If a Mortgage has not been paid in full by its maturity date, Freddie Mac may, in its sole discretion, transfer Servicing of that Mortgage to another Servicer. If Freddie Mac elects to transfer Servicing of the matured Mortgage, the existing Servicer will not be compensated and must cooperate fully with Freddie Mac and the transferee Servicer.

## 43.14 Modification; release; waivers (06/17/21)

### a. Limits on Servicer (04/30/13)

The Servicer must not modify, waive or release any term of any Note, Security Instrument or other Loan Document, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note, Security Instrument or other Loan Document except as authorized by the Purchase and Servicing Documents.

### b. Collateral release (06/17/21)

For the requests listed below, the Servicer must complete and electronically deliver to Freddie Mac a written request and recommendation using the [Release/Extension of Monetary Collateral Request](#), attaching any necessary supporting documentation to include:

1. Release or reduction of Guaranty
2. Release of Rental Achievement Agreement
3. Release of Letter of Credit
4. Release of other Reserve



**c. Waivers (06/17/21)**

The Servicer must complete and submit a waiver request via the Freddie Mac Insurance Compliance Tool (ICT), which must include the Servicer's analysis along with the Servicer's recommendation for action, to request any waiver of the insurance requirements if the right to grant such a waiver has not been delegated to the Servicer. A certificate executed by a Chief Servicing Officer will not be required for any such request.

For any other type of waiver or requested adjustment to the Loan Documents, the Servicer must complete and submit a [General Servicing Request](#) and a certificate executed by a Chief Servicing Officer, both of which are available at <https://mf.freddiemac.com/lenders/guide/> under Forms for Asset Management.

**43.15 Rate Reset Mortgages (04/30/19)**

**a. Submission of information to Freddie Mac (04/30/19)**

Within 10 days following receipt of notice that the Borrower wishes to exercise its option to extend the term of a Rate Reset Mortgage and reset the interest rate, the Servicer must notify Freddie Mac *Multifamily Asset Management, Structured Transactions*. The Borrower must notify the Servicer of its intent to exercise the Rate Reset option no earlier than 180 days, and no later than 110 days prior to the maturity date of the original term. The Servicer must deliver the following items to Freddie Mac *Multifamily Asset Management, Structured Transactions*:

1. A copy of the Borrower's notice to the Seller
2. A certificate in a form acceptable to Freddie Mac, stating the following for each Borrower and Borrower Principal:
  - Bankruptcy or insolvency experience during the original Mortgage term
  - Default experience with respect to any Mortgage made by the same Borrower and held by Freddie Mac during the original Mortgage term
3. An AIF, dated within 60 days prior to submission
4. The Servicer's written analysis of whether the Borrower meets all requirements specified in the applicable Loan Documents for approval of the request to extend the Mortgage term and to reset the interest rate

The Servicer must remit the Rate Reset fee received from the Borrower by wire transfer. Unless otherwise specified in the Loan Documents, the fee must be equal to the amount set forth in [Exhibit 10](#). The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Structured Transactions*. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

**b. Conditions for approval of extension/reset request (05/06/05)**

Freddie Mac will review the materials submitted by the Servicer and will make its determination whether the Borrower meets the applicable requirements for extension of the Mortgage term and resetting of the interest rate.

**c. Notification and determination of eligibility for Rate Reset and extension (05/06/05)**

Within 30 days after receipt of all documents from the Servicer as specified in Section 43.15(a), Freddie Mac will make a determination on whether the Borrower is eligible to extend the Mortgage term and reset the interest rate, and will deliver written notice of its determination to the Servicer.

**1. Adverse determination**

If Freddie Mac determines that the Borrower has not met all conditions for exercise of the option, Freddie Mac will return the Borrower's Rate Reset fee to the Servicer.

**2. Approval determination**

If Freddie Mac determines that the Borrower has met all conditions for exercise of the option, the Borrower's Rate Reset fee will be nonrefundable, and the notice will specify:

- The period that is not more than 70 days or less than 60 days prior to the original maturity date of the Mortgage during which the Servicer must lock the interest rate for the extended term, and
- The procedure that the Servicer must use to lock the reset interest rate

**d. Execution of extension documentation (05/06/05)**

After the Servicer locks the rate for the extended term, Freddie Mac will deliver to the Servicer the documentation (with instructions for completion) to be executed by the Borrower to evidence the reset interest rate effective during the extended term, the new monthly payment amount and the new maturity date of the Mortgage. The Servicer must arrange for the prompt execution and recording of the required documents.

**e. Delivery of extension documentation to Freddie Mac (05/31/12)**

The Servicer must deliver the following to Freddie Mac *Multifamily Asset Management, Structured Transactions* at least 30 days prior to the maturity date of the original term of the Mortgage:

- If required by Freddie Mac, copies of all recorded extension documents, each showing the recorder's stamp, book and page numbers, or instrument number
- Originals of any other documents required by Freddie Mac, and
- If required by Freddie Mac, an endorsement to the title insurance policy in a form acceptable to Freddie Mac and at no expense to Freddie Mac, insuring the continuing First Lien priority



of the Mortgage following the extension of the Mortgage term and resetting of the interest rate

If required by Freddie Mac, the Servicer must deliver the original recorded documents to Freddie Mac *Multifamily Asset Management, Structured Transactions* as soon as the Servicer receives them from the recorder or clerk.

**f. Reimbursement of Servicer's costs (05/06/05)**

The Servicer may obtain from the Borrower reimbursement of the Servicer's actual costs incurred in connection with the execution and recording of the documents evidencing the terms of the extended Mortgage, including attorneys' fees, recording costs and other out-of-pocket expenses.

**g. Borrower's failure to complete extension process (05/06/05)**

If the Borrower fails to complete the extension and Rate Reset process following a determination by Freddie Mac that the Borrower satisfies all conditions for exercise of the extension option, then Freddie Mac will retain the Borrower's Rate Reset fee, and the Mortgage will be due and payable in full on its original maturity date.

**43.16 Risk detection and notification; Risk Ratings and monitoring responsibilities (06/29/17)**

**a. Loan compliance and risk detection responsibilities (05/01/14)**

**1. Risk detection**

The Servicer must identify increased risk associated with a Property or Mortgage by:

- a. Inspecting the Property (including physical findings, market review and management evaluation)
- b. Reviewing the Mortgage during the assessment process
- c. Monitoring Mortgage compliance (for example, Mortgage payments and Reserves)
- d. Applying market knowledge
- e. Interacting with the Borrower
- f. Determining whether a disaster in the Property's location has caused any damage to the Property

**2. Assessing Mortgage Document compliance by the Borrower**

The Servicer must monitor the Borrower's compliance with the terms and conditions of the Loan Documents, including:

- a. Monitoring insurance to ensure compliance with coverage requirements
- b. Ensuring completion of all required repairs

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- c. Ensuring compliance with other Mortgage conditions (for example, obtaining or maintaining a tax abatement or tax exemption, clearing code violations, complying with regulatory requirements, or complying with any financial covenants)
- d. Monitoring letters of credit to ensure compliance with the requirements set forth in Section 11.2

If the Borrower has failed to comply with the terms and conditions of the Loan Documents, other than monetary defaults (which are addressed in Chapter 44), the Servicer must attempt to resolve the noncompliance as authorized in the Guide and the Purchase and Servicing Documents. If the Servicer is unable to resolve the Borrower's noncompliance, the Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* within 30 days of the Servicer's identification of the Borrower's noncompliance and provide the Servicer's recommended action or actions.

**b. Risk outlook, notification and recommendation (09/28/12)**

The Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* of any change in the Servicer's risk outlook of the Mortgage within five Business Days and discuss its findings with its Freddie Mac *Multifamily Asset Management, Surveillance* representative.

The Servicer must provide its recommendations regarding its view of the loan's risk and detail any further action needed.

**c. Risk Ratings and monitoring (05/31/12)**

If Freddie Mac determines that the Mortgage meets its criteria for a Risk Rating greater than six, Freddie Mac will notify the Servicer that it has assigned that Mortgage a Risk Rating greater than six. With the notification, Freddie Mac will include any additional steps that the Servicer must take to monitor the risk. The Servicer must comply with all elements of the Freddie Mac request and continue to monitor the risk factors associated with the Property and the Mortgage.

**d. Quarterly reporting based on Risk Rating (06/29/17)**

The Servicer must report quarterly on the performance of each Property that secures a Mortgage with a Risk Rating greater than six. The Servicer must submit each report by the due date specified by Freddie Mac and must use the quarterly report format provided by Freddie Mac. The Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* of any changes in the risk factors. See Chapter 40 for additional information on the Quarterly Financial assessment (QIE).

## **43.17 Mortgages paid in full (12/14/18)**

**a. Mortgage paid in full at maturity (04/30/15)**

The Servicer is responsible for the review of a Borrower's request to pay a Mortgage in full. Before responding to any inquiry regarding the full satisfaction of a Mortgage, the Servicer must carefully review the terms of the Note to determine the full amount due.



The Servicer must notify Freddie Mac *Multifamily Loan Accounting* of the Borrower's request to pay in full any Mortgage serviced for Freddie Mac. The Servicer must submit a completed [Loan Payoff Notice](#), available via [mf.freddiemac.com/lenders/reporting](http://mf.freddiemac.com/lenders/reporting), (which must include the Servicer's analysis along with the Servicer's recommendation for action) and must forward the following information to Freddie Mac *Multifamily Loan Accounting* within five Business Days after receipt by the Servicer of the Borrower's request to pay in full:

1. Copy of any Consolidation, Modification and Extension Agreement (if applicable)
2. Copy of the Borrower's payoff request

**b. Mortgage paid in full prior to the maturity date (05/06/05)**

Additional requirements for any Mortgage being paid in full prior to the actual maturity date are located in Section 51.1.

**c. Requests for Freddie Mac execution of documents (12/07/07)**

The Servicer must submit to Freddie Mac *Multifamily Loan Accounting* all requests for Freddie Mac execution of documents necessary to complete the release, discharge or satisfaction of debt. The Servicer or its attorney must forward the original satisfaction documents to Freddie Mac *Multifamily Loan Accounting* for signature by Freddie Mac. For documents that require Freddie Mac execution, the Servicer must include a letter explaining:

1. The nature of the request (release of Note or execution of documents)
2. The reason for the request (maturity, full prepayment, repurchase approved by Freddie Mac, repurchase demanded by Freddie Mac or repurchase in compliance with a recourse agreement)
3. Any special endorsement to the Note required by Freddie Mac or by applicable law
4. The date applicable funds were remitted to Freddie Mac
5. The address and identity of the official of the Servicer to whom Freddie Mac should return the executed documents

**d. Documentation delivered after payment-in-full (12/14/18)**

After Freddie Mac receives payment in full, whether at maturity or by prepayment, Freddie Mac will return to the Servicer the original Note stamped "Paid and Cancelled". It is the Servicer's responsibility to return the original Note to the Borrower and to record or file any satisfaction documents.

### **43.18 Noncompliance fees (06/12/23)**

Freddie Mac separately monitors Servicing reporting, accounting reporting and Delinquency reporting and separately assesses noncompliance fees. Freddie Mac will send the Servicer a written notification of each violation. Fees are due to Freddie Mac no later than the fifth Business Day after the first accounting cutoff date following the missed reporting due date. The Servicer must remit the





fee using the myOptigo® Servicer Remittance system described in Section 53.7. The cash statement for the accounting cycle in which the fee is due will reflect the fee. Freddie Mac reserves the right to change all fees and other remedies at any time and at its sole discretion.

## 43.19 Property management (10/17/24)

### a. General property management requirements (10/17/24)

For non-SBL Mortgages, the Servicer must ensure that the property management company and proposed property management agreement comply with all requirements of the Loan Documents, and if the Loan Documents are silent, with all requirements of Section 8.13.

For SBL Mortgages, the Servicer must ensure that the property management company and proposed property management agreement comply with all requirements of the SBL Loan Documents.

For all Mortgages, with respect to each proposed property management company and/or proposed sub-management company, the Servicer must certify that it has performed the applicable searches with respect to such entity that are required under Sections 2.18, 2.23, 2.24 and 9.3, including Freddie Mac Exclusionary List, FHFA SCP List and OFAC screening, and Web Searches to identify adverse information related to Financial Crimes, litigation, negative credit events and adverse actions that may pose reputational risk.

### b. When full Freddie Mac review of a property management change (including delegation to a sub-manager) is not required (10/17/24)

Freddie Mac full review of a property management change is not required if the new property management company is on the [Freddie Mac Property Management Company List](#) Freddie Mac will be deemed to have approved the change in property management, if each of the following conditions is satisfied:

1. The Servicer delivers to Freddie Mac *Multifamily Asset Management, Borrower Transactions* or, for Structured Transactions, *Multifamily Asset Management, Structured Transactions*, each of the following:
  - A summary of the new property manager's qualifications and experience
  - A [Property Management Change Certification](#), executed by the Borrower, the new property manager, and the Servicer, with no changes other than blanks filled in, required boxes checked, and signature blocks completed (a Chief Servicing Officer Certification is not required)
  - A copy of the fully-executed Management Agreement
  - A copy of the fully-executed Sub-Management Agreement (if applicable)

If any provision of the form requires revision to correctly reflect the proposed transaction, the Property Management Change Certification is inapplicable, and the Servicer must follow the review process detailed in Section 43.19(c).





- For non-SBL Mortgages, each of the following, as applicable:
  - Assignment of Management Agreement and Subordination of Fees (New Property Manager), executed by the Borrower and the new property manager
  - Assignment of Management Agreement and Sub-Management Agreement and Subordination of Management Fees and Sub-Management Fees executed by the Borrower, the new property manager and new property sub-manager
  - If the new property manager is affiliated with the Borrower, and the Borrower was required to provide a nonconsolidation opinion at the origination of the Mortgage, an updated nonconsolidation opinion
- 2. The Servicer has entered the Borrower request into the Consent Request Tracker, as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.

Freddie Mac will execute the Property Management Change Certification and the Assignment of Management Agreement and Subordination of Fees (New Property Manager), and will upload the fully-executed document to DMS.

**c. When Freddie Mac review of a property management change (including delegation to a sub-manager) is required; review process (10/17/24)**

If any of the conditions set forth in Section 43.19(b) are not satisfied, Freddie Mac must review and approve the request for a property management company change, and the provisions of Sections 43.19(c), (d) and (e) will apply.

Upon receiving a request for approval of or notice of a property management change, the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker, as required by Section 36.25
- Promptly upon receipt of all applicable items listed below, electronically deliver those materials to Freddie Mac
  1. Completed [Property Management Change Request](#), including the Servicer's analysis and the Servicer's recommendation for action
  2. Copy of the Borrower's request explaining the reason for the property management change
  3. Certification from the Borrower of each of the following:
    - The management agreement does not include any terms that are not customary in the market area in which the Property is located.
    - The Mortgage is current and the Borrower is not aware of any event of default which has occurred and is continuing with respect to the loan
    - The Borrower has obtained the consent of any other party required to consent to a change of the property management company for the Property

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4. Copy of the proposed new property management agreement
5. Copy of the proposed Sub-Management Agreement (if applicable)
6. Resume, brochure and/or the web address for the proposed management company

**d. Freddie Mac's review of the property management change request (including delegation to a sub-manager) (10/17/24)**

In conducting its review of the property management change request, Freddie Mac may consider the following factors:

1. The Property's Risk Rating
2. Whether the Mortgage is current with no continuing event of default
3. Whether the proposed property manager is a third-party property management company with at least five years of experience managing properties similar to the subject Property in size and type and in the same market as the subject Property
4. Whether the proposed property management company is a for-profit or a non-profit entity
5. Whether the proposed compensation for the property management company exceeds:
  - For non-SBL Mortgages, the percentage of overall gross monthly rents provided for in the previously approved contract with the prior property management company
  - For SBL Mortgages, the greater of seven percent of the overall gross monthly rents or the percentage of overall gross monthly rents provided for in the previously approved contract with the prior property management company
6. If the Borrower will not assign its interests under the property management agreement to Freddie Mac (such as for an SBL Mortgage), whether the contract is terminable upon not more than 30 days' notice without the necessity of establishing cause and without payment by Borrower or its successors of a penalty or termination fee
7. The extent of any planned or started rehabilitation at the Property
8. The extent of any Deferred Maintenance shown on the latest annual risk assessment and the Property rating

**e. Documentation required following approved property management change (including delegation to a sub-manager) (10/17/24)**

If Freddie Mac has approved a property management change, then within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to *Freddie Mac Multifamily Asset Management Borrower Transactions* each of the following items, as applicable:

- For non-SBL Mortgages:



- Property management agreement in the form approved by Freddie Mac
- For a change of property management company, a copy of the fully executed Assignment of Management Agreement
- For changes involving only a modification of the property management agreement (and not involving a change of property management company), an amendment to the applicable Assignment of Management Agreement replacing the form of property management attached thereto as an exhibit
- A copy of the fully executed Assignment of Management Agreement and Sub-Management Agreement and Subordination of Management Fees and Sub-Management Fees, if applicable
- An updated non-consolidation opinion (if required)
- Any other documents specified in the approval letter
- For SBL Mortgages:
  - Each of the documents specified in the approval letter
  - An Assignment of Management Agreement and Subordination of Management Fees is not required or applicable

#### **43.20 Advance written notice to the Borrower for ARM payments (06/30/16)**

The Servicer must provide the Borrower with advance written notice of each interest rate adjustment and each new monthly payment due under the Note for an ARM or an SBL Hybrid ARM. The Servicer must give each such notice in the manner specified in the Loan Documents for the giving of notices, and the Servicer must give each such notice at least 15 calendar days prior to the due date of the new monthly payment.

#### **43.21 Third-party cap agreement (07/01/14)**

##### **a. Payments by cap provider (07/01/14)**

As long as there is not an event of default, if the Borrower has paid in full the applicable monthly payment of principal and interest or interest only due under the Note, the Servicer must remit to the Borrower any payment received under a third-party interest rate cap agreement ("cap agreement") from the provider of the cap agreement ("cap provider").

##### **b. Collection of cap agreement payments for conventional Mortgages (02/07/08)**

The Servicer, on behalf of Freddie Mac, must diligently attempt to collect all payments under the cap agreement or interest rate cap guaranty at the times they are due and payable.



## 43.22 Subsequent cap agreements for cash Mortgages (02/28/18)

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages. See Sections 25.12 and 25.18 for interest rate cap requirements for TEL Mortgages.

### a. Deposits to cap fee Reserves (02/28/18)

The Borrower must deposit ("cap fee Reserve") an amount sufficient to accumulate funds equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to termination of the then-existing cap agreement, a subsequent cap agreement ("subsequent cap agreement") with (1) a term expiring on the earlier of the date that is two years after the termination of the then existing cap agreement or the maturity date of the Mortgage, (2) a notional amount equal to the outstanding principal balance due under the Note on the commencement date of the subsequent cap agreement and (3) a strike rate equal to the original strike rate.

On the Origination Date, the Servicer must calculate the initial monthly cap fee Reserve based on the purchase price of the cap agreement and inform the Borrower of that amount. The process for adjusting the monthly cap fee Reserve amount is as follows:

1. Within 30 days after the Origination Date, the Servicer must complete the information on the first page of the [Kensington Cap Escrow Adjustment Form](#) and submit the form to Kensington Capital Advisors LLC ("Kensington") at [capinfo@kensington-advisors.com](mailto:capinfo@kensington-advisors.com), together with a copy of the Rate Cap Rider from the Loan Agreement.
2. 30 days prior to the due date of each cap fee Reserve adjustment, Kensington will provide each Servicer with a list of Mortgages requiring review of the cap fee Reserves. Upon receipt of the list of Mortgages, the Servicer must provide Kensington with the anticipated unpaid principal balance at the time of cap renewal and the current cap fee Reserve balance for each of the Mortgages on the list.
3. Kensington will determine the new monthly deposit to the cap fee Reserve and return the completed Kensington Cap Escrow Adjustment Form to the Servicer.
4. The Servicer must review and sign the completed Kensington Cap Escrow Adjustment Form indicating its approval.
5. The Servicer must notify the Borrower of the amount of the new monthly deposit for the cap fee Reserve.
6. With respect to each subsequent cap fee Reserve adjustment, the Servicer must provide to Kensington not less than 15 days prior to the date on which the cap fee Reserve will be adjusted, (1) the anticipated unpaid principal balance at the time of cap renewal and (2) the then current cap fee Reserve balance.
7. Thereafter, the Servicer must review and approve all subsequent adjustments to monthly cap fee Reserve payments required under the loan agreement in the manner set forth in this section and in accordance with the terms of the Loan Documents.

Freddie Mac reserves the right, after notice to the Servicer, to require the Servicer to obtain Freddie Mac's approval for all cap deposits Reserve adjustments for a Mortgage. This

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notification may be in the form of an email from Freddie Mac's *Multifamily Asset Management* representative.

**b. Interest on cap deposits (09/25/15)**

Unless applicable law requires, or the Loan Documents provide otherwise, Freddie Mac will not require the Servicer to pay the Borrower any interest, earnings or profits on the cap deposits related to Mortgages.

**c. Excess cap deposits (09/25/15)**

If the Borrower delivers a subsequent cap agreement and there are excess cap deposits, the Servicer must continue to hold such excess cap deposits and apply the accumulated deposits to purchase a subsequent cap agreement, unless authorized by Freddie Mac to release the funds to the Borrower. When the Borrower has paid the indebtedness in full, or has purchased a cap agreement with a termination date no earlier than the maturity date of the Mortgage, Freddie Mac will authorize the Servicer to return any cap deposits to the Borrower.

**d. Terms of subsequent cap agreements (07/01/14)**

Any subsequent cap agreement must have:

- A term not earlier than one year from its effective date,
- A strike rate that does not exceed the original strike rate set forth in the Loan Documents, and
- A notional amount equal to the outstanding indebtedness on the effective date of the subsequent cap agreement.

**e. Cap deposits Reserve Custodial Account (09/25/15)**

Unless otherwise stated in the Loan Documents, cap deposits Reserve Custodial Accounts must meet the requirements of Chapter 52.

**f. Cap agreement and cap provider requirements (02/07/08)**

See Section 11.3 for the requirements regarding the cap agreement and cap provider.

### **43.23 Property Improvement Alterations for non-SBL Mortgages (06/16/22)**

For non-SBL Mortgages, in accordance with the Loan Agreement, the Borrower must notify the lender when it intends to begin Property Improvement Alterations. After receipt of the Property Improvement Alterations Notice from the Borrower, the Servicer must notify Freddie Mac of the planned Property Improvement Alterations and monitor the Borrower's compliance with the terms of the Loan Agreement.

For purposes of this Section 43.23, the term "Borrower's certificate" means either of the following:



- A certificate from the Borrower in substantially the form attached to the Loan Agreement for documenting Property Improvement Alteration matters, if applicable, or
- If no form of certificate is attached to the Loan Agreement, then a certificate from the Borrower which includes the information specified in Section 43.23(b) or 43.23(c), as applicable.

Note that the provisions of Section 43.23 do not apply to repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents.

**a. Notifying Freddie Mac of Property Improvement Alterations (02/27/15)**

Within five Business Days after receiving a Property Improvement Alterations Notice from a Borrower, the Servicer must:

- Electronically deliver to Freddie Mac [Form 1126, Acknowledgement of Property Improvement Alterations](#), along with a copy of the Property Improvement Alterations Notice received from the Borrower, and
- Provide the Borrower with a copy of [Form 1126, Acknowledgement of Property Improvement Alterations](#), submitted to Freddie Mac.

For a Mortgage that has been designated for inclusion in a Securitization, if any Property Improvement Alterations described in a Property Improvement Alterations Notice received by the Servicer have commenced but have not yet been completed, then prior to the Securitization, but no later than 15 days following a request by Freddie Mac, the Servicer must deliver to Freddie Mac a Borrower's certificate detailing the status of the Property Improvement Alterations.

**b. Monitoring ongoing Property Improvement Alterations (04/30/19)**

While Property Improvement Alterations are taking place, the Servicer must obtain and review the rent roll on a quarterly basis. If the rent roll shows that the occupancy of the Property has decreased to less than the Minimum Occupancy set forth in the Loan Agreement, the Servicer must:

- Inform Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via email, and
- Obtain a Borrower's certificate which includes the following:
  - A list of all of the Property Improvement Alterations described in the Property Improvement Alterations Notice that the Borrower has commenced but not yet completed and anticipated completion dates for all such Property Improvement Alterations
  - A list of all of the Property Improvement Alterations described in the Property Improvement Alterations Notice that the Borrower has completed
  - If required by the Loan Agreement, a statement that any commenced or planned Property Improvement Alterations that would cause dwelling units to be unavailable for





rental have been suspended until the Minimum Occupancy threshold is satisfied

- Any other information required by Freddie Mac

The Servicer is responsible for monitoring any undertaken Property Improvement Alterations, including, when appropriate, employing a qualified inspector or physical engineer to inspect the Property Improvement Alterations.

**c. Completion of Property Improvement Alterations (06/16/22)**

When all Property Improvement Alterations described by the Property Improvement Alterations Notice have been completed, the Servicer must obtain a Borrower's certificate specifying that the completed Property Improvement Alterations were completed in a good and workmanlike manner and in compliance with all laws (including life safety laws, environmental laws, building codes, zoning ordinances and laws for the disabled).

**43.24 Commercial/non-residential leases (04/18/24)**

This Section 43.24 does not apply to Infrastructure Agreement Servicing Requests, as described in Section 43.32.

**a. When Freddie Mac approval is required (04/18/24)**

Freddie Mac approval is required for:

- Any new or modified non-residential (commercial) lease, including an extension or termination of such lease (a "Nonresidential Lease"), except (i) an Infrastructure Agreement Servicing Request for a lease satisfying the requirements under Section 43.32(b), (ii) any lease expressly permitted by the Loan Documents, or (iii) for an SBL Mortgage, a lease satisfying the requirements of Section 43.24(e)
- Any new lease related to drilling, oil or gas exploration at the Property

**b. Servicer's request for Freddie Mac approval (05/05/17)**

Upon receiving a request for approval of any new or modified commercial lease or oil and gas lease, the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25
- Electronically deliver to Freddie Mac the [General Servicing Request](#), and any necessary supporting documentation
- For an SBL Mortgage, the Servicer must include with the General Servicing Request a [Commercial Lease Analysis and Estoppel – SBL](#) summarizing the terms of the commercial lease; a PLIM is only required for an oil and gas lease, or if otherwise requested by Freddie Mac





**c. Freddie Mac's review of lease approval request (05/05/17)**

In conducting its review of the requested commercial or drilling, oil, or gas lease, Freddie Mac may consider factors including the following:

1. For a non-SBL Mortgage, whether income from the lease is less than five percent of total gross potential rent for the Property.
2. Whether approval of the lease will cause a decline in gross potential income for the Property.
3. Whether the new tenant is equal to or better in quality than the exiting tenant
4. Whether the new lease and tenant present any negative environmental impact
5. The Risk Rating of the Mortgage
6. Whether the Mortgage is in default

**d. Required documentation following Freddie Mac approval (05/05/17)**

Within the time specified in Freddie Mac's approval letter, the Servicer must electronically deliver to Freddie Mac the following documents:

- Copy of the signed lease agreement
- For a Non-SBL Mortgage, a copy of Lessor's Estoppel Certificate
- For an SBL Mortgage, a copy of the Commercial Lease Analysis and Estoppel – SBL, executed by the tenant
- Any additional documentation required by the approval letter

**e. Non-residential leases the Servicer is permitted to approve for an SBL Mortgage (06/15/23)**

During any period in which Freddie Mac owns an SBL Mortgage until the Servicer receives notification from Freddie Mac that the SBL Mortgage has been designated for inclusion in a Securitization, the Servicer may approve a non-residential lease provided that the non-residential lease satisfies each of the following requirements:

- The tenant under the non-residential lease is not an Affiliate of the Borrower or an affiliate of any Guarantor
- The terms of the non-residential lease are at least as favorable to the Borrower as those customary in the applicable market at the time the Borrower enters into the non-residential lease
- The rents paid to the Borrower pursuant to the non-residential lease are not less than 90 percent of the rents paid to the Borrower pursuant to the non-residential lease, if any, for that



portion of the Property that was in effect prior to the non-residential lease

- The term of the non-residential lease, including any option to extend, is 10 years or less
- The intended use of the space that is the subject of the non-residential lease may not allow the leased premises to be used or operated, in whole or in part, for any illegal activity or any Restricted Non-Residential Use
- The aggregate of the income derived from the space leased pursuant to the Nonresidential Lease accounts for less than 20 percent of the gross income of the Property on the date that the Borrower enters into the Nonresidential Lease

#### **43.25 Product-specific general Servicing requirements (09/18/14)**

For additional general Servicing requirements for the Freddie Mac Multifamily Seniors Housing Product, see Section 21.19.

For additional general Servicing requirements for Multifamily Housing Bond Credit Enhancements, see Sections 28.8, 28.9, 28.12 and 28.18.

#### **43.26 Radon and what to report to Freddie Mac (09/14/23)**

A Property secured by an SBL Mortgage is not required to be tested for the presence of radon.

For a Property securing a non-SBL Mortgage, the following table lists the appropriate and timely steps required to notify Freddie Mac for any follow-up radon testing described in Section 61.14.

The Servicer must follow this protocol. The Borrower's certificate is not sufficient evidence to satisfy radon requirements set forth in the loan documents.

The Seller/Servicer's engagement with the environmental consultant for an environmental report that is entered into after September 14, 2023 must require the environmental consultant to report certain radon data elements to the designated data collection website provided to the Seller/Servicer by Freddie Mac. For an environmental consultant who needs access to the website, the Seller/Servicer must reach out to [MF\\_PhysicalRisk@freddiemac.com](mailto:MF_PhysicalRisk@freddiemac.com) to obtain access. Instructions for the environmental consultant on submitting the required data elements are available on such website.

<b>Radon Follow-Up Test Results - Environmental Consultant Determination</b>	<b>Required Action</b>
If the environmental consultant determines based on the follow-up test results that no further action is necessary	Servicer must upload the follow-up test results to PRS, naming the file as Radon Test Results Follow-Up, by the Completion Date for Follow-Up Radon Testing (as defined in the Loan Documents).



<p>If the environmental consultant determines based on the follow-up test results that remediation is necessary</p>	<p>Remediation will be required along with the following steps:</p> <p><b>Step 1.</b> Servicer uploads test results to PRS, naming the file as Radon Test Results Follow-Up, by the Completion Date for Follow-Up Radon Testing.</p> <p><b>Step 2.</b> Servicer must provide Borrower with a Radon Remediation Notice (as defined in the Loan Documents) within two Business Days.</p> <p><b>Step 3.</b> Servicer must upload copy of the Radon Remediation Notice to PRS, naming the file as Radon Remediation Notice.</p> <p><b>Note:</b> Borrower will have 30 days after the date of the Radon Remediation Notice to provide Servicer with a signed, binding fixed price radon remediation contract with a qualified service provider. Borrower will have 90 days to complete remediation after the date of the Radon Remediation Notice.</p> <p><b>Step 4.</b> After completion of radon remediation, Servicer must upload to PRS written certification from a qualified environmental consultant stating the remediation methods that were used, that remediation has been satisfactorily completed, that post-remediation testing has been conducted and that the units with completed radon remediation now demonstrate radon levels below 4 pCi/L. Servicer must name the file as Post-Mitigation Test Results.</p>
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#### 43.27 Delivery of written notice of incomplete application or confirmation of withdrawn application (11/30/12)

If an application for a modification to the Mortgage that would result in a change in the collateral or a change in a Borrower Principal or Guarantor, or any other credit extension is incomplete, the Servicer must provide the Borrower with a written request on behalf of Freddie Mac for any missing items in compliance with the Equal Credit Opportunity Act.

If the Borrower withdraws the application either orally or in writing, the Servicer must send on behalf of Freddie Mac written confirmation to the Borrower (letter or email) confirming the Borrower's withdrawal of the application for a modification. The Servicer must maintain a copy of the Borrower's written notice of withdrawal or its confirmation of the oral withdrawal.

The Servicer must maintain a record of all written notices sent on behalf of Freddie Mac and maintain copies of each such notice in the Mortgage file in accordance with the requirements of Chapter 34.

#### 43.28 Office of Foreign Assets Control (OFAC) screening (02/18/21)

The Servicer must periodically and at least annually screen Borrowers, Borrower Principals, Guarantors and Non-U.S. Equity Holders related to Mortgages that the Servicer services for Freddie Mac against the most current OFAC Specially Designated Nationals and Blocked Persons ("SDN") List and the OFAC Consolidated Sanctions List. The frequency of such screening must be based on

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the Servicer's OFAC compliance program and be commensurate with the Servicer's OFAC risk analysis.

In addition to the periodic screenings required above, upon receipt of any Borrower request for lender consent to a transaction, the Servicer must screen Borrowers, Borrower Principals, Guarantors and any Non-U.S. Equity Holders against the most current OFAC SDN List and OFAC Consolidated Sanctions List prior to approving, or requesting approval from Freddie Mac for, such Servicing-related transaction.

A Servicer that identifies a valid match against the OFAC SDN List or Consolidated Sanctions List must notify Freddie Mac via an email to the *Investigation Unit* within 24 hours of a valid Borrower, Borrower Principal or Non-U.S. Equity Holder OFAC SDN List or Consolidated Sanctions List match. Such email notification must also provide the following information:

- Freddie Mac loan number
- Borrower, Borrower Principal, Guarantor and any Non-U.S. Equity Holder identifying information
- Name, title, email address, and telephone number for the point of contact at the Servicer who will be able to discuss the OFAC SDN List or Consolidated Sanctions List match

If a Servicer identifies a valid match in a screening conducted in connection with a Borrower request for lender consent to a transaction, then in addition to following the procedure to notify Freddie Mac set forth above, the Servicer must not approve, or request approval from Freddie Mac for, such transaction until it receives further instruction from Freddie Mac.

Upon receipt of the email notification, a representative from Freddie Mac will contact the Servicer to discuss the OFAC match and any potential next steps. Freddie Mac may also require the Servicer to provide documentation or additional information regarding the OFAC match.

Notifying Freddie Mac of a confirmed match against the OFAC SDN List or Consolidated Sanctions List does not absolve the Servicer from its responsibility to file any reports with OFAC, as required by OFAC Regulations.

## **43.29 Subordinate Financing for non-SBL Mortgages (04/18/24)**

### **a. Conditions for Freddie Mac approval of Subordinate Financing for a non-SBL Mortgage (06/30/16)**

For any Mortgage purchased for Securitization, Freddie Mac does not permit Subordinate Financing other than Subordinate Financing pursuant to the Freddie Mac Multifamily Supplemental Mortgage Product.

For any other Mortgage, Freddie Mac may, in its sole discretion, consider allowing Subordinate Financing if Freddie Mac determines that the Property would benefit from the Subordinate Financing. If the Loan Documents either require the noteholder's consent to place any Subordinate Financing on the Property or prohibit Subordinate Financing (but Freddie Mac has agreed to consider the Borrower's request), then the Servicer must electronically deliver to Freddie Mac a written request and recommendation for such modification using the [General Servicing Request](#), attaching documentation addressing each item required in Section 43.29(b).



Freddie Mac may reject a request for Subordinate Financing at its discretion. Freddie Mac will consider consenting to Subordinate Financing only if the request meets the following conditions (However, the fact that the Subordinate Financing meets these requirements does not mean that Freddie Mac is obligated to consider or approve the Subordinate Financing.):

1. The subordinate lender must enter into the standard Freddie Mac Subordination Agreement, which provides, among other things, that the subordinate lender will:
  - Provide notice of default to Freddie Mac,
  - Give Freddie Mac the right (but not the obligation) to cure defaults, and
  - Not exercise its remedies under the Subordination Agreement for the period specified in the Subordination Agreement after notice to Freddie Mac in which it sets forth the specific remedy that the subordinate lender intends to exercise.
2. The Subordination Agreement must be recorded in the land records of the jurisdiction in which the Property is located.
3. The combined debt may not result in a Loan-to-Value (LTV) Ratio that exceeds 85 percent and the combined debt service may not result in a Debt Coverage Ratio (DCR) that is below 1.20x.
4. The Subordinate Financing must be based on a fixed interest rate for the entire term or an adjustable interest rate with a rate cap for the entire term.
5. If the Subordinate Financing is not fully amortizing, the maturity of the Subordinate Financing must be at least equal to the maturity of the Freddie Mac Mortgage.
6. The Servicer must perform a refinance test acceptable to Freddie Mac on the combined debt.
7. All tax and insurance Reserves must be in place, or the Borrower must agree to establish such Reserves.
8. The Servicer must analyze any Replacement Reserve based on the current condition of the Property. If the Property is not being properly maintained, Freddie Mac will reject the Subordinate Financing request unless at least one of the following conditions is met:
  - The Borrower's monthly Replacement Reserve deposit is increased to a sufficient level to adequately maintain the Property, or
  - A Replacement Reserve is established with ongoing funding requirements, and/or
  - The Borrower makes identified repairs prior to incurring the Subordinate Financing.
9. The Subordinate Financing must not provide for recourse against the Borrower or a third-party guarantee by a Borrower Principal.



10. The Borrower must be a single asset entity. If the Loan Documents for the Freddie Mac Mortgage do not require the Borrower to be a single asset entity, then Freddie Mac will require the Borrower to amend the Loan Documents to include such a requirement.
11. The Property must have an acceptable operating history and the Borrower must have an acceptable Mortgage payment history during the period the Borrower has owned the Property. No event of monetary or nonmonetary default may have occurred during the term of the Mortgage.
12. The Servicer's counsel must have provided a preliminary legal issues memorandum meeting the requirements of Section 6.4.

**b. Information required with a request for Freddie Mac approval of Subordinate Financing (04/13/23)**

If a Borrower requests Freddie Mac's approval of Subordinate Financing, the Servicer's package must include:

1. A nonrefundable review/processing fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in [Exhibit 10](#) (The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac when submitting the application for the Subordinate Financing. The Servicer must remit the fee by wire transfer and obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The Servicer may not charge the Borrower any additional fees for processing a request for Subordinate Financing.)
2. The Servicer's charge to the Borrower of a nonrefundable counsel fee of \$500 (The counsel fee is for the legal fees, expenses and costs of Freddie Mac's legal counsel, including its in-house counsel, and may exceed \$500 for complex transactions. Freddie Mac will collect the remainder of the fee, if applicable, after Freddie Mac issues the approval letter, and the Servicer must remit its payment by wire transfer. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.)
3. A copy of a completed General Servicing Request. The Request must include the Servicer's analysis of the Subordinate Financing along with the Servicer's recommendation for action.
4. A copy of the signed commitment from the proposed subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and anticipated amount of annual debt service
5. Copies of the proposed Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules and all other transaction-





related information (All Subordinate Financing loan documents must be approved by Freddie Mac prior to execution.)

6. Payment histories for any existing Subordinate Financing on the Property, including the amount of annual debt service
7. A description of the proposed use of the Subordinate Financing proceeds
8. Information about the proposed subordinate lender and its financial strength
9. A Freddie Mac Annual Inspection Form (AIF) dated within 180 days. (If the most recent AIF was not conducted within the previous 180 days, the Servicer must complete and submit an AIF.) The AIF can be found at <https://mf.freddiemac.com/lenders/asset/> under PRS Assessment.
10. An assessment by the Servicer of the Property condition, whether the funds held in the Replacement Reserve are adequate, and whether an increase in Replacement Reserve deposits and/or establishment of a Repair Reserve is required, based on the condition of the Property
11. Current credit report on any Borrower or Guarantor that is an individual. Credit reports must comply with the requirements set forth in Chapter 55.
12. Financial statements for the Borrower and each Key Borrower Principal. Financial statements must comply with the requirements set forth in Chapter 55.
13. Current property financial statements meeting the requirements set forth in Chapter 55, along with Servicer's DCR and LTV analysis
14. Current rent roll meeting the requirements set forth in Chapter 55
15. Title update report dated no earlier than 45 days before the date of the Subordinate Financing request
16. For all transactions in which the Borrower is a Cooperative (Co-op), an analysis of the potential impact of Subordinate Financing on the cash flow associated with any non-owner-occupied units (The Servicer must also analyze increased maintenance fees to owner-occupied units.)

**c. Freddie Mac approval (04/30/19)**

Freddie Mac will determine whether to approve the proposed Subordinate Financing and will advise the Servicer, in writing, of that decision. The approval letter will set forth any further requirements and will notify the Servicer if any additional counsel fee is due. The Servicer must remit any additional counsel fee by wire transfer at the same time the Servicer executes and returns the approval letter to Freddie Mac to evidence its acceptance of the terms. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions* as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.





If Freddie Mac approves the Subordinate Financing, the Servicer must deliver any document that must be signed by Freddie Mac, including the Subordination Agreement, in accordance with the approval letter issued by Freddie Mac.

**d. Documents required after settlement of Subordinate Financing (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy, a certified copy or an original (as noted) of the following executed Subordinate Financing documents listed below.

If the provisions of this subsection require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder or clerk delays make it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original." The Servicer must then deliver to Freddie Mac a copy of the recorded/filed original showing the required information as soon as the copy becomes available.

1. Recorded Subordination Agreement (certified copy)
2. Subordinate note (copy)
3. Recorded Subordinate Financing security instrument (certified copy)
4. Any third-party guaranties executed in connection with the Subordinate Financing (copy)
5. Recorded or filed subordinate UCC financing statements (certified copy)
6. Settlement statement (copy)
7. Any new Replacement Reserve Agreement or Repair Reserve Agreement (original)
8. Modifications to any existing Freddie Mac Loan Documents, if required (original of any unrecorded modifications and certified copies of any recorded modifications)
9. A satisfactory endorsement to the title insurance policy covering the Freddie Mac Mortgage, effective as of the date of recordation of the security instrument for the Subordinate Financing, that insures that the lien of the Freddie Mac Mortgage is superior to the lien of the Subordinate Financing (The endorsement must also reflect the recordation of the security instrument for the Subordinate Financing and the Subordination Agreement.)

**e. Warranties (09/28/18)**

When a Servicer delivers the final Subordinate Financing documentation, the Servicer will be deemed to have made the warranties in Section 5.2, 5.4 and 5.5 as of the date of delivery to Freddie Mac of the documentation for the Subordinate Financing.

**f. Unauthorized Subordinate Financing (08/30/13)**

The Servicer must carry out Freddie Mac's instructions in dealing with proposed Subordinate Financing and must be alert to the unauthorized placement of Subordinate Financing on the



Property. If the Servicer learns that unauthorized Subordinate Financing has been, or is about to be, placed on the Property, it must immediately notify Freddie Mac in writing.

### 43.30 Subordinate Financing for SBL Mortgages (04/18/24)

#### a. Conditions for Freddie Mac approval of Subordinate Financing for an SBL Mortgage (06/30/16)

For any SBL Mortgage securitized in an SBL Securitization, Subordinate Financing is permitted provided that each of the following conditions set forth below is met:

1. The subordinate lender is a Freddie Mac-approved Seller/Servicer at the time of origination of the Subordinate Financing.
2. The subordinate lender has not accepted applications from the Borrower for Subordinate Financing until after the settlement of the SBL Securitization that includes the SBL Mortgage.
3. If the Directing Certificateholder of the applicable SBL Securitization has the right to consent to the Subordinate Financing, the Directing Certificateholder has provided such consent within the time periods and under the conditions specified in the applicable Pooling and Servicing Agreement.
4. The Borrower pays all fees and other expenses of the Servicer of the SBL Mortgage required by such Servicer in connection with the Subordinate Financing.
5. The SBL Mortgage is not in default and is in good standing with satisfactory payment history.
6. The SBL Mortgage has three years or more remaining in its loan term.
7. The Subordinate Financing is not less than \$750,000.
8. The Subordinate Financing has a loan term equal to or longer than the remaining loan term of the SBL Mortgage but cannot exceed 30 years.
9. The start of any open or par period for the Subordinate Financing begins on or after the date of any open or par period for the SBL Mortgage.
10. The combined loan amount after the making of the Subordinate Financing does not result in a Loan-to-Value (LTV) Ratio that exceeds 80 percent and the combined debt service after the making of the Subordinate Financing does not result in a Debt Coverage Ratio (DCR) that is below 1.25x, using the following to calculate the LTV and DCR:
  - The combined loan amount used to calculate the LTV must be the aggregate outstanding principal balances of all of the following:
    - The SBL Mortgage
    - Any other previously originated subordinate financing



- The proposed loan amount of the Subordinate Financing
  - The value used to calculate the LTV is the value for the Property determined by using the as-is market value conclusion for the Property set forth in a third party current Appraisal that meets the requirements of Section 60.12.
  - When calculating the DCR and determining whether the DCR requirement has been met, the combined debt service must be the aggregate of the annual principal and interest payable on all of the following:
    - The SBL Mortgage
    - Any other previously originated subordinate financing
    - The proposed loan amount of the Subordinate Financing
  - Amortization Period: An interest only debt service calculation can only be used if the applicable loan term is full term interest only. In the case of partial interest only, the applicable amortization debt service is used even if the Mortgage is in an interest only period. For a fully amortizing Mortgage, the applicable amortization debt service must be used.
  - Interest Rate: For any Mortgage that has a fixed interest rate for its entire loan term, the debt service is calculated using the fixed interest rate then in effect. For any Mortgage that has an adjustable interest rate for any portion of its loan term and has entered into an adjustable interest rate period, debt service is calculated using the interest rate then in effect plus 100 basis points.
  - Net Operating Income (NOI) for DCR Calculation

The NOI is calculated using the year one pro forma net operating income at the Property using the direct capitalization approach concluded in a third party current Appraisal that meets the requirements of Section 60.12.
11. If the Borrower is required to be an SPE under the terms of the SBL Mortgage, then the Borrower's organizational documents have been amended to permit the Borrower to incur additional debt in the form of the Subordinate Financing.
  12. The Subordinate Financing loan documents contain a cross-default provision requiring a default under the SBL Mortgage to constitute an event of default under the Subordinate Financing.
  13. The Subordinate Financing does not provide for recourse against the Borrower or the Guarantor.
  14. The subordinate lender has entered into Freddie Mac's Intercreditor Agreement.
  15. The Intercreditor Agreement will be recorded in the land records of the jurisdiction in which the Property is located.



16. If the subordinate lender requires the Borrower to fund Reserves for taxes, insurance premiums or ground rents under the Subordinate Financing, the Servicer of the SBL Mortgage may require the collection of any such Reserves that are currently deferred under the SBL Mortgage. The collection of such Reserves under the SBL Mortgage will commence on the date that the Subordinate Financing is originated and continue for so long as the Subordinate Financing is outstanding.

If all of the conditions above are met, a subordinate lender may place one or more Subordinate Financings against the Property.

The requirements of this Section 43.30 are not to be construed to require the Servicer of the SBL Mortgage to agree to any changes to the SBL Mortgage other than to permit the Subordinate Financing to be placed against the Property and to meet the requirements of Section 43.30(a)(12).

**b. Information required with a request for Subordinate Financing (06/30/16)**

If a Borrower requests Subordinate Financing, the subordinate lender's package to the Servicer must include at a minimum:

1. A copy of the signed commitment from the proposed subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and amount of annual debt service.
2. A certification to the Servicer of the SBL Mortgage that the combined LTV/DCR requirements set forth in Section 43.30(a) have been satisfied.
3. Copies of the proposed Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules and all other transaction-related information.
4. The Intercreditor Agreement required by Section 43.30(a) executed by the subordinate lender.

**c. Approval of the Subordinate Financing (06/30/16)**

The Servicer of the SBL Mortgage must verify that the requirements of Section 43.30(a) have been met, then countersign the Intercreditor Agreement and return it to the subordinate lender within five days of such verification.

**d. Documents required after settlement of Subordinate Financing (04/18/24)**

The subordinate lender must electronically deliver to the Servicer of the SBL Mortgage a copy, a certified copy or an original (as noted) of the executed Subordinate Financing documents listed below.

If the provisions of this subsection require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder or clerk delays make it impossible to effect timely delivery of a copy showing the required information, the subordinate lender may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed



original". The subordinate lender must then deliver to the servicer of the SBL Mortgage a copy of the recorded/filed original showing the required information as soon as the copy becomes available.

1. Recorded Intercreditor Agreement (certified copy)
2. Subordinate Financing note (copy)
3. Recorded Subordinate Financing security instrument (certified copy)
4. Loan Agreement, if applicable (copy)
5. Any third-party guaranties executed in connection with the Subordinate Financing (copy)
6. Recorded or filed subordinate UCC financing statements (certified copy)
7. Settlement statement (copy)
8. Any new replacement reserve agreement or repair reserve agreement (copy)
9. Modifications to any existing SBL Mortgage Loan Documents, if required (original of any unrecorded modifications and certified copies of any recorded modifications)
10. A satisfactory endorsement to the title insurance policy covering the SBL Mortgage, effective as of the date of recordation of the security instrument for the Subordinate Financing, that insures that the lien of the SBL Mortgage is superior to the lien of the Subordinate Financing (The endorsement must also reflect the recordation of the security instrument for the Subordinate Financing and the Intercreditor Agreement.)
11. A copy of third party Appraisal
12. Copies of environmental analysis, if applicable

**e. Unauthorized Subordinate Financing (06/30/16)**

The Servicer of the SBL Mortgage must be alert to the unauthorized placement of Subordinate Financing on the Property. If the Servicer of the SBL Mortgage learns that unauthorized Subordinate Financing has been, or is about to be, placed on the Property, it must immediately notify Freddie Mac in writing.

**43.31 General Servicing requirements for Credit Facilities (revolving lines of credit) (06/29/17)**

NOTE: This section is not applicable to a Credit Facility with a Servicing Agreement.

If there is a conflict in terms between the Guide and the applicable Credit Agreement, then the terms used in the Credit Agreement will govern. Whenever used in this Section 43.31, the following words and phrases will have the meanings found in Section 43.31(a), below, unless the context requires otherwise.



**a. Defined terms (06/29/17)**

1. **Accounting Cutoff Date.** The Accounting Cutoff Date is defined in Section 50.8.
2. **Borrower.** Individually or collectively, as the context may require, each person or entity identified as “Borrower” in any Credit Agreement.
3. **Credit Agreement.** Individually or collectively, the applicable Credit Agreement or Credit Agreements, which has/have been assigned to Freddie Mac, and/or any subsequent Credit Agreement entered into by an affiliate of the Sponsor (as defined in the Credit Agreement) and Freddie Mac (or the Servicer, to be assigned to Freddie Mac). Parties to the Credit Agreement include the Borrower and the Servicer (as “Lender”).
4. **Credit Facility.** A revolving credit loan in a specified amount issued to the Borrower by a Servicer (as “Lender”) pursuant to the Credit Agreement.
5. **Credit Facility Documents.** The Loan Documents, as defined in the Credit Agreement, and all other documents evidencing, securing, perfecting and governing, whether delivered now or in the future, in connection with the Credit Facility, all of which have been assigned to Freddie Mac.
6. **Mortgaged Property.** Individually or collectively, as the context may require, the land, improvements and fixtures defined in the Credit Agreement as the Collateral Pool Property.
7. **Seller.** Servicer, in its capacity as Seller under the Commitment.
8. **Servicing Spread.** The fee set forth in the Commitment, calculated monthly on the aggregate principal balance of the Credit Facility outstanding during the previous month.

**b. Undertaking to Service (06/29/17)**

The Servicer will service the Credit Facility and the Credit Facility Documents in accordance with the Guide. Except as set forth in Sections 43.31(c)-(q), all references in the Guide to “Mortgage” or “Mortgages” will include the Credit Facility and all references in the Guide to “Loan Documents” will mean the Credit Facility Documents.

**c. Additional collateral (06/29/17)**

If any Borrower or any Proposed Borrower proposes to add additional Mortgaged Property to the Collateral Pool, then the Servicer must provide Freddie Mac with all applicable fees and materials required under the Addition of a Collateral Pool Property section of the Credit Agreement, and all documents and reports required to underwrite such additional collateral pursuant to Chapter 17.

No such addition of collateral will be effective unless and until Freddie Mac has reviewed, approved and executed the final forms of all documents to be delivered in connection with any such addition. The Servicer must collect from the Borrower all costs and expenses of Freddie Mac in connection with the addition of any such collateral, and remit those funds to Freddie Mac.

Upon delivery of the documents and fees to Freddie Mac as required under the Credit Agreement, the Servicer will have been deemed to have made to Freddie Mac all of the





representations and warranties required under the Guide pertaining to a newly originated Mortgage as if the Servicer were assigning such documents to Freddie Mac pursuant to a sale of a Mortgage under the Guide, as modified by the terms of the Credit Agreement.

**d. Release (06/29/17)**

If a Borrower requests a release of a Collateral Pool Property that it is entitled to have released pursuant to the Release of a Collateral Pool Property section of the Credit Agreement, then the Servicer must provide Freddie Mac with a certification (“Servicer’s Release Certification”) at least five Business Days prior to the date on which Freddie Mac is required to effect the release, confirming each of the following to the best of the Servicer’s knowledge:

1. At the time of the request for such release, no Event of Default or Potential Default exists under the Credit Facility,
2. After giving effect to such release, no Event of Default or Potential Default exists, and
3. The Borrower is in compliance with the Sublimits.

If the Borrower will not be in compliance with the Sublimits absent a prepayment of the Loan, a release of a Collateral Pool Property or an addition of collateral prior to or simultaneously with the proposed release, then the Servicer’s Release Certification must:

1. Set forth the method by which the Borrower will cause itself to be in compliance with the Sublimits, and
2. Be supplemented prior to such release with a separate certification of the Servicer that the Borrower has taken all necessary action to cause itself to be in compliance with the Sublimits subsequent to the release.

Within five Business Days after any Borrower’s request for a release of a Collateral Pool Property, the Servicer must provide notice of such request to Freddie Mac. If Freddie Mac approves the Borrower’s request, then the Servicer must provide a “payoff letter” to the Borrower with respect to the to-be-released Collateral Pool Property pursuant to the terms of the Credit Agreement. In connection with the release of a Collateral Pool Property, the Servicer must collect from the Borrower all amounts and reasonable fees and expenses of Freddie Mac in connection with the release and deliver Freddie Mac’s portion of such amounts, fees and expenses to Freddie Mac.

**e. Release of a Collateral Pool Property followed by a Securitized Loan (06/29/17)**

If the Borrower requests a release of Lender’s lien on a Collateral Pool Property and a conversion to a Securitized Loan pursuant to the Credit Agreement, then the Servicer must deliver to Freddie Mac each of the following within five Business Days following the Servicer’s receipt of such fees and documents:

1. A copy of the Borrower’s request
2. Any fees required to be paid by the Borrower under the Credit Agreement or the Guide





3. The appropriate underwriting package and completed application required under the Guide
4. All the documents and reports required to underwrite each Collateral Pool Property proposed by the Borrower to be subject to the Securitized Loan, pursuant to Chapter 17 of the Guide (defined in the Credit Agreement as the “Underwriting Materials”)

Freddie Mac will only release the lien of the Security Instrument with respect to the Collateral Pool Property in connection with a conversion upon the receipt of the Servicer’s Release Certification required under above Section 43.31(c). For such a conversion to a Securitized Loan, the Servicer may collect from the Borrower and retain all fees and expenses set forth in the Credit Agreement.

**f. Annual Property valuations (06/29/17)**

Pursuant to the Valuations section of the Credit Agreement, the Servicer must, within 30 days after its receipt of the rent rolls and operating statements for the Mortgaged Properties, provide to Freddie Mac all assessments for each of the Mortgaged Properties. Freddie Mac will perform the valuation for each Collateral Pool Property, and will provide the Servicer with written notice of the results of the Valuation. If the Valuation for the Collateral Pool Properties discloses that the Market Value or Net Operating Income of any Collateral Pool Property has decreased below the previously established Market Value or Net Operating Income of such Mortgaged Property, and such reduction will cause the Borrower to be in non-compliance with the Sublimits set forth in the Credit Agreement, then within one Business Day after receipt of the Valuation from Freddie Mac, the Servicer must notify the Borrower to cure such non-compliance pursuant to the Credit Agreement.

**g. Annual Borrower and Guarantor evaluation (06/29/17)**

Annually, as prescribed in the Credit Agreement, the Servicer must notify the Borrower to deliver the items set forth in the Credit Agreement. The Servicer must deliver all such items to Freddie Mac within 30 days following receipt from the Borrower.

**h. Material Adverse Change to Borrower or Mortgaged Property (06/29/17)**

If the Servicer receives notification from any Borrower or Freddie Mac of a Material Adverse Change affecting a Collateral Pool Property, then the Servicer must deliver to Freddie Mac a current rent roll (dated no more than 30 days prior to delivery to Freddie Mac) and a trailing 12-month operating statement for each of the Collateral Pool Properties. Following receipt of the required financial information, Freddie Mac will conduct a Valuation in accordance with the valuation requirements set forth in the Credit Agreement. If the Valuation discloses that the Market Value or Net Operating Income of the Mortgaged Property has decreased so that the Borrower fails to comply with the Sublimits of the Credit Agreement, then, within one Business Day, the Servicer must notify the Borrower to cure such non-compliance pursuant to the Credit Agreement.

If the Servicer receives notification from the Borrower or Freddie Mac or otherwise becomes aware of a Material Adverse Change affecting the Borrower or any Guarantor, then the Servicer must promptly notify Freddie Mac and must (i) collect and deliver to Freddie Mac all documents required to be provided pursuant to the Credit Agreement and (ii) in the instance of a Material Adverse Change affecting the enforceability of any Credit Agreement or any other Credit Facility Documents, collect and/or prepare, as may be appropriate, all appropriate replacement



documents and opinions required pursuant to the Credit Agreement, each in form and substance acceptable to Freddie Mac, naming Freddie Mac as lender and executed by all appropriate parties.

**i. Debt Service Coverage Ratio (06/29/17)**

The Servicer must determine and re-determine the Property/Facility DSCR when required under the Credit Agreement and change the Margin as necessary in accordance with the terms of the Credit Agreement, if applicable. If the Property/Facility DSCR determination results in a ratio below the Sublimit requirement, then the Servicer must collect from the Borrower and remit to Freddie Mac any additional payment obligations set forth in the Non-Compliance with Sublimits section of the Credit Agreement.

**j. Loan to Value Ratio (06/29/17)**

The Servicer must determine and re-determine the Property/Facility LTV Ratio when required under the terms of the Credit Agreement. If the Property/Facility LTV Ratio determinations result in a ratio above the Sublimit requirement, then the Servicer must collect from the Borrower and remit to Freddie Mac any additional payment obligations set forth in the Non-Compliance with Sublimits section of the Credit Agreement.

**k. Transfers (06/29/17)**

If the Borrower requests lender's consent to a Transfer, as defined in the Loan Documents, and Freddie Mac approves the Transfer, then the Servicer must collect from the Borrower and remit to Freddie Mac each of the following:

1. A Transfer Processing Fee in the amount set forth in the Loan Documents
2. The amount of Freddie Mac's out-of-pocket costs and attorney's fees incurred in reviewing the Transfer request
3. Any Transfer Fee prescribed in the Loan Documents

**l. Monitoring of Borrower Covenants (06/29/17)**

The Servicer must monitor each Borrower's obligations set forth in the Covenants section of the Credit Agreement, collect and review any required documentation, and immediately report to Freddie Mac any violations of those Covenants.

**m. Expansions (06/29/17)**

If the Borrower elects to increase the amount of the Loan pursuant to the terms of the Credit Agreement, then the Servicer must do each of the following:

1. Collect from the Borrower the Expansion Fee in the amount set forth in the Credit Agreement,
2. Retain the portion of the Expansion Fee due to the Servicer and remit to Freddie Mac the portion of the Expansion Fee due to Freddie Mac under the terms of the Credit Agreement,



3. Collect from the Borrower and remit to Freddie Mac the amount of Freddie Mac's costs and expenses (including attorney's fees) incurred in connection with such increase, and
4. Collect and review any required documentation evidencing the increase.

**n. Contractions (06/29/17)**

If the Borrower elects to contract the Loan pursuant to the Credit Agreement, then the Servicer must (i) collect from the Borrower and remit to Freddie Mac the amount of Freddie Mac's costs and expenses (including attorney's fees) incurred in connection with such contraction, and (ii) collect and review any required documentation evidencing such contraction.

**o. Commitment fees (06/29/17)**

The Servicer will be entitled to retain its portion of each of the Addition Fees and the Expansion Fees as set forth in the Credit Agreement.

**p. Servicing requests (06/29/17)**

For all Servicing-related Borrower requests, including Releases, Transfers, Expansions and Contractions, the Servicer must electronically deliver to Freddie Mac a written request for Freddie Mac's approval, using the [General Servicing Request Form](#) available via [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset), attaching all applicable supporting documentation.

**q. Credit Agreements (06/29/17)**

The Servicer must perform all other obligations required to be performed by the Servicer under the Credit Agreements and the Credit Facility Documents.

### **43.32 Infrastructure Agreement Servicing Requests (04/18/24)**

This section applies only to Borrower consent requests with respect to Infrastructure Agreements, as defined in Section 8.22, and Solar Agreements, as defined in Section 8.21 ("Infrastructure Agreement Servicing Requests"), which may be comprised of any combination of the following:

- Leases or licenses
- Any other possessory interest in or right to occupy or control the Property
- Any option to purchase the Property or an interest in the Property
- Easements, restrictive covenants or other encumbrances
- Other covenants, conditions, restrictions, rights, profits or interests running with the land and binding upon subsequent transferees of the Property

**a. Permitted Infrastructure Agreements not requiring consent (04/18/24)**

Infrastructure Agreements only involving licenses, personal agreements or other interests binding solely on the parties (and non-binding upon future transferees of the Property) do not fall



within the meaning of Infrastructure Agreement Servicing Requests and are permitted without Freddie Mac or Servicer approval (“Permitted Infrastructure Agreements”). For example, a marketing support agreement or revocable license agreement that is a personal agreement between the Borrower and the service provider and that does not bind a subsequent transferee of the Property will not require Freddie Mac consent even if the definition of “Lease” in the Loan Agreement includes “any license.”

The Servicer must determine, in consultation with its counsel, as appropriate, whether the proposed instrument will require (Freddie Mac and/or Servicer) consent because it falls within the meaning of an Infrastructure Agreement Servicing Request, but a PLIM is not necessarily required for this preliminary determination. For example, an agreement captioned as a “license” (for which consent is not typically required) may also contain other legal terms that instead render the instrument a covenant or easement that will attach to the Property and bind subsequent owners (for which Freddie Mac and/or Servicer consent is always required). Examples include “license agreements” that (i) include express granting language, (ii) include language indicating that the instrument “runs with the land” or (iii) require substantial investment by licensee in reliance on the license.

Without preparing a PLIM, Servicer’s counsel may review the document and send an email to Servicer (with a copy to Freddie Mac at the mailbox specified below) confirming that the proposed Infrastructure Agreement constitutes a Permitted Infrastructure Agreement under this Section 43.32 (“Permitted Infrastructure Agreement Determination”). Upon receipt (and electronic delivery to Freddie Mac at the mailbox specified below) by Servicer of a Permitted Infrastructure Agreement Determination, no further action is required:

- For structured transactions, Tax Exempt Bond Credit Enhancement Mortgages, acquisition rehabilitation/lease-up/moderate rehabilitation loan products, Targeted Affordable Housing Mortgages or credit facilities, to [mf\\_structured\\_transactions@freddiemac.com](mailto:mf_structured_transactions@freddiemac.com)
- For all other Mortgages, to [mf\\_borrower\\_transactions@freddiemac.com](mailto:mf_borrower_transactions@freddiemac.com)

**b. Infrastructure Agreement Servicing Requests the Servicer is permitted to approve (04/18/24)**

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an Infrastructure Agreement Servicing Request only if the proposed Infrastructure Agreement meets each of the following requirements:

- It satisfies all applicable Loan Document requirements relating to the approval of easements, non-residential leases and other encumbrances
- It will not be recorded against the Property
- It will be subordinate to the lien of the Mortgage
- The Infrastructure Agreement Servicing Request does not include a request to subordinate the lien of the Mortgage or a request for the lender to enter into a non-disturbance agreement
- It is not a Solar Agreement



- The “lender” is not named as a party to, nor is it being requested to sign, the agreement or any related document
- It is compatible with the use of the Property
- It contains terms and provisions, including compensation, that are customary for the market in which the Property is located
- It does not impose on the Property owner any financial obligations equal to or greater than \$100,000
- It will not have any material adverse impact on the Property value, operations, access, income, or marketability
- If the Infrastructure Agreement Servicing Request involves a lease, the tenant is not an Affiliate of Borrower, any Borrower Principal or any Guarantor
- It does not reduce the income from any residential units or other income-producing improvements
- It does not impose any financial obligations on any mortgagee, and/or subsequent owner by foreclosure, deed in lieu of foreclosure or other conveyance (including reimbursement of any up-front fee paid by the provider to the Property owner upon termination of the agreement)
- The Servicer has not received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage does not back a Freddie Mac Multifamily Participation Certificate, a Freddie Mac Bond Credit Enhancement transaction or a Freddie Mac tax-exempt or taxable Multifamily bond securitization
- There are no investors who have provided credit enhancements for the Mortgage other than a Seller/Servicer, the Borrower or an Affiliate of the Borrower

Generally, Freddie Mac will not require delivery of a preliminary legal issues memorandum (PLIM) for an Infrastructure Agreement Servicing Request that satisfies the above requirements; however, the Servicer may request that its counsel prepare a PLIM to confirm the requirements set forth above in this Section 43.32(b) or to address a material legal issue that Servicer has identified.

The Servicer may require the Borrower to pay or reimburse the Servicer upon demand for all costs and expenses, including all attorneys' fees and costs, incurred by the Servicer in connection with the review of the Telecommunications Agreement Servicing Request.

**c. Documentation for an Infrastructure Agreement Servicing Request not requiring Freddie Mac approval (04/18/24)**

Upon receiving an Infrastructure Agreement Servicing Request, the Servicer must take the following actions:



- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is not required for Mortgages owned by Freddie Mac.
- Within 30 days after the Servicer's approval of an Infrastructure Agreement Servicing Request, the Servicer must notify Freddie Mac of any actions taken under the delegated approval by electronically delivering the Borrower's request, along with a copy of the fully executed Infrastructure Agreement.

**d. File retention requirements for an Infrastructure Agreement Servicing Request not requiring Freddie Mac approval (04/18/24)**

The Servicer must maintain a file that contains the following information relating to a delegated Infrastructure Agreement Servicing Request approval:

- Borrower's original request for approval and required information
- Evidence of the Servicer's analysis and approval of the request
- Copies of the Servicer's notification of the approval to the Borrower and Freddie Mac
- Copies of the executed Infrastructure Agreement

The Servicer must maintain the file in accordance with the requirements set forth in Section 34.4.

**e. Infrastructure Agreement Servicing Request requiring Freddie Mac approval (04/18/24)**

For any Infrastructure Agreement Servicing Request for which the Servicer is not delegated approval authority under Section 43.32(b), the Servicer must take the following actions:

- Enter the Infrastructure Agreement Servicing Request into the Consent Request Tracker as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1 - 4 below, electronically deliver those items to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

The Servicer must deliver each of the following documents:

1. A completed [General Servicing Request](#) or [Easement Request](#), as applicable, which must include the Servicer's analysis and recommendation for action
2. A copy of the proposed Infrastructure Agreement and any additional documents or instruments associated with the Borrower Request
3. A PLIM addressing each issue under 43.32(b) raised by the Infrastructure Agreement Servicing Request (e.g., Borrower fails to satisfy one of the applicable Loan Document requirements) and any other legal issue that Servicer determines is raised by the





Infrastructure Agreement Servicing Request. In addition, if the proposed Infrastructure Agreement will not be subordinate to the lien of the Mortgage or if the Infrastructure Agreement Servicing Request includes a request for non-disturbance protection, the PLIM must also analyze the proposed instrument under Section 8.22 (Infrastructure Agreements), Chapter 29 (title policy and endorsement requirements), and if applicable, Section 8.21 (Solar Agreements), Section 43.10 (Easements), Section 8.11(g) (Non-Residential Leases), Section 43.24 (Non-Residential Leases), Section 43.12 (Easement in lieu of condemnation), or other applicable Guide provisions. If Freddie Mac determines that the transaction raises legal issues (or inadequately addresses any of the Section 43.32(b) items), Freddie Mac may request a supplementary PLIM. Unless instructed otherwise, the appropriate PLIM form is the [Short Form PLIM \(Infrastructure Agreements\)](https://mf.freddiemac.com/lenders/legal) available via [mf.freddiemac.com/lenders/legal](https://mf.freddiemac.com/lenders/legal).

#### 4. Any other information requested by Freddie Mac

If Freddie Mac approves the Borrower request, Servicer must submit to Freddie Mac an execution-ready form of any document or instrument that must be executed by the lender. Before submitting documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to ensure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the Infrastructure Agreement or related instrument approved by Freddie Mac, including the legal description (if applicable)

For all Infrastructure Agreement Servicing Requests that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in [Exhibit 10](#). The Servicer must remit to Freddie Mac 50 percent of the review fee, if any, and may retain the remaining 50 percent. The Servicer may not charge the Borrower any additional fees for processing an application for approval of an Infrastructure Agreement Servicing Request.

At the time of delivery of the Borrower request to Freddie Mac, the Servicer must remit to Freddie Mac the Freddie Mac portion of any review fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Multifamily Asset Management, Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

NOTE: Review fees for Infrastructure Agreement Servicing Request are only payable under rare circumstances (such as an easement request for a Loan originated prior to July 1, 2014).





**f. Recordation of an Infrastructure Agreement requiring Freddie Mac approval (04/18/24)**

If applicable, Servicer must comply with all local recording requirements and arrange for recordation of the Infrastructure Agreement and any other applicable document at no cost to Freddie Mac.

**g. Required documentation for an Infrastructure Agreement Servicing Request requiring Freddie Mac approval (04/18/24)**

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy of:

- The final, executed Infrastructure Agreement and any related document or instrument executed in connection with the Infrastructure Agreement Servicing Request
- Any other document required by the Freddie Mac approval letter.

**43.33 Deadlines in Article I (Key Loan Terms) and Exhibits and Riders to the Loan Agreement (10/20/22)**

Article I and Exhibits and Riders to the Loan Agreements may contain deadlines for various loan requirements that the Borrower must address. Servicers must notify Borrowers of these deadlines. Freddie Mac's Property Reporting System (PRS) is a tool for Servicers to identify such loan requirements and deadlines. If a deadline extension is needed, then 10 Business Days prior to the deadline, Servicers must submit an extension request to Freddie Mac via Document Management System (DMS) and Consent Request Tracker (CRT), and update PRS Loan Item Tracking (LIT) regarding submitted extension requests.

**43.34 Reporting of Property and Borrower news and events (04/18/24)**

If the Seller/Servicer becomes aware of any news articles or recent events within the last 12 months that could reflect adversely upon the Borrower, any Borrower Principal or the Property, the Seller/Servicer must report such information within five Business Days to Freddie Mac via email at [MF\\_Loan\\_Compliance@freddiemac.com](mailto:MF_Loan_Compliance@freddiemac.com).

**43.35 Nonstandard processing fees payable by borrower in Loan Documents (02/27/25)**

For other types of Lender review and/or processing fees identified as "Nonstandard Processing Fees" on [Exhibit 10](#), the Servicer must charge the Borrower the fee in the amount specified in the Loan Documents to cover such review and/or processing.

The Servicer must remit to Freddie Mac 50 percent of such fee and may retain the remaining 50 percent.

The Servicer must remit the fee by wire transfer and obtain wiring instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number in its fee remittance.



The Servicer may not charge the Borrower any additional fees in connection with the related request.

# Multifamily Seller/Servicer Guide

## Chapter 44

### Delinquency, Default and Loss Mitigation Strategies



- 44.1 [Overview \(12/14/23\)](#)
- 44.2 [Monetary defaults \(Delinquencies\) \(12/14/23\)](#)
  - a. [Contact with the Borrower \(12/14/23\)](#)
  - b. [Reporting to Freddie Mac \(12/14/23\)](#)
- 44.3 [Non-monetary defaults and adverse matters \(12/14/23\)](#)
- 44.4 [Property condition considerations \(12/14/23\)](#)
- 44.5 [Enforcement actions – roles of Servicer and Freddie Mac \(12/14/23\)](#)
  - a. [Servicer involvement and reporting \(12/14/23\)](#)
  - b. [Servicer responsibilities \(12/14/23\)](#)
  - c. [Legal representation \(12/14/23\)](#)
- 44.6 [Enforcement actions - workouts \(12/14/23\)](#)
- 44.7 [Enforcement actions – foreclosure and receivership \(12/14/23\)](#)
  - a. [Role of Servicer and Freddie Mac \(12/14/23\)](#)
  - b. [Appointment of receiver and/or managing agent \(08/30/13\)](#)
  - c. [Demand and acceleration \(12/14/23\)](#)
- 44.8 [Servicing during enforcement action \(12/14/23\)](#)
  - a. [Third party report reimbursement \(12/14/23\)](#)
  - b. [Establishment of bid amount \(06/30/15\)](#)
  - c. [Reimbursement of costs advanced by Servicer \(12/14/23\)](#)



## 44.1 Overview (12/14/23)

Chapter 44 sets out requirements for Servicers with respect to Borrowers who have failed to comply with the provisions of the applicable Loan Documents, whether such noncompliance consists of either or both of the following:

- Failure to pay principal and interest and/or Reserves when due (referred to as a monetary default or a Delinquency)
- Failure to comply with other requirements of the Loan Documents (other default)

## 44.2 Monetary defaults (Delinquencies) (12/14/23)

The Servicer must react quickly and diligently when the Borrower is not promptly paying all Mortgage installments when due.

The Servicer must treat each Delinquency individually, based on its knowledge of the Borrower, the location and type of Property, and the extent and circumstances of the Delinquency.

### a. Contact with the Borrower (12/14/23)

The Servicer must contact the Borrower by telephone, in person or in writing (including via email) on or before the 10th day after a payment is due and remains unpaid, without regard to any grace period, to ascertain the reason for the nonpayment and the Borrower's intentions to cure.

When contacting a delinquent Borrower, the Servicer must try to obtain, if not already provided by Borrower, the following documents:

- A current rent roll, with the names of all tenants, the amount of rent for each unit, the date to which rent has been paid and the details of all leases
- The prior year's income and expense statement
- A year-to-date income and expense statement
- Financial statements from any Guarantor(s)

The Servicer must contact the Borrower immediately if the Borrower does not make required payments or other cures when promised. If the Borrower does not cure a Mortgage Delinquency when promised, the Servicer must notify *Multifamily Loan Accounting* in writing within two Business Days after the missed deadline.

### b. Reporting to Freddie Mac (12/14/23)

#### 1. Monthly report of Delinquencies and Foreclosures

Every Servicer must submit a Monthly Report of Delinquencies and Foreclosures via myOptigo<sup>SM</sup> for Investor Reporting. The Servicer must transmit the report even if the Servicer has no delinquent Mortgages or Mortgages in foreclosure.



The Servicer must perform the automated transmission of the Monthly Report of Delinquencies and Foreclosures via myOptigo for Investor Reporting by 3:00 p.m. Eastern time on the third Business Day of each month. The Servicer is responsible for ensuring the accuracy and integrity of the data submitted to Freddie Mac. Transmissions must be usable, accurate and timely. For details on the applicable programming requirements and transmission instructions, the Servicer must contact *Multifamily Loan Accounting*.

The Servicer must fulfill all Freddie Mac requests for further information regarding the Delinquency within three Business Days after the request.

## 2. Multifamily Delinquency reporting noncompliance fees

Freddie Mac may assess Delinquency reporting noncompliance fees against the Servicer if the Servicer fails to provide timely, complete and accurate reports. Any Servicer that fails to comply with the reporting requirements set forth in this section is subject to the following Delinquency reporting noncompliance fees:

Fee type	Cause/description	Amount
Delinquency	Late, omitted or unusable monthly Mortgage Delinquency reporting data	1 <sup>st</sup> month - \$250
		2 <sup>nd</sup> month - \$550
		3 <sup>rd</sup> month - \$1,000
		Each additional month - \$1,000

Freddie Mac will assess only one Delinquency reporting noncompliance fee per month regardless of the number of violations that occur in that month. Freddie Mac will send the Servicer a written notification of each violation. Fees are due to Freddie Mac no later than the fifth Business Day after the first accounting cutoff date following the missed reporting due date specified in such notice. The Servicer must remit the fee using the myOptigo® Servicer Remittance system described in Section 53.7. The cash statement for the accounting cycle in which the fee is due will reflect the fee.

### 44.3 Non-monetary defaults and adverse matters (12/14/23)

The Servicer must notify *Multifamily Asset Management, Borrower Transactions* by email at [MF\\_Borrower\\_Transactions@freddiemac.com](mailto:MF_Borrower_Transactions@freddiemac.com) within two Business Days following the Servicer's discovery or receipt of notification of any of the following conditions with respect to a Mortgage or a Property:

1. Any lien that attains or may attain priority over the Mortgage lien
2. Any subordinate lien that is placed on the Property without Freddie Mac's prior consent (The Servicer must also follow the procedures in Section 41.9 regarding a subordinate lien.)
3. Any state insolvency or federal bankruptcy proceeding in which a Borrower or Guarantor is seeking relief or in which an involuntary petition has been filed against a Borrower or Guarantor



4. Deterioration, waste or lack of repair of the Property
5. A catastrophic event affecting the Property
6. The presence of an environmental problem on the Property
7. A material and imminent Life Safety Hazard on the Property
8. A serious building code violation or similar citation involving the Property
9. Vacancy or collection loss that materially impairs the value of the Property
10. Any event that materially adversely affects the credit or managerial ability of the Borrower
11. Litigation involving the Property that may adversely affect its value or the lien of the Mortgage
12. Termination or reduction of insurance coverage for the Borrower or the Property
13. Any evidence that the Borrower has transferred ownership or management of the Property without Freddie Mac's prior approval (The Servicer must also follow the procedures in Section 41.9 regarding an unauthorized transfer of the Property or an interest in a Borrower entity.)
14. Any other default under the terms of the Loan Documents
15. Any other situation, including adverse publicity, that may have an adverse impact on the Mortgage or the Property

If any of these conditions arise, the Servicer must maintain complete and accurate records of the circumstances, including any evidence necessary to support enforcement action based on the defaults under the Loan Documents described above or other action against the Borrower. When notifying Freddie Mac of any of the defaults or adverse matters listed in this section, the Servicer must also advise Freddie Mac in writing of relevant surrounding facts.

#### **44.4 Property condition considerations (12/14/23)**

When assessing an appropriate asset resolution strategy with respect to Borrower noncompliance or other Property issues identified in this chapter, Freddie Mac emphasizes imminent life and safety matters affecting the tenants' wellbeing and the condition of the Property as well as preserving the collateral serving as security for the Mortgage. The Servicer must be alert to such issues and report them promptly to Freddie Mac.

#### **44.5 Enforcement actions – roles of Servicer and Freddie Mac (12/14/23)**

##### **a. Servicer involvement and reporting (12/14/23)**

Freddie Mac will direct all enforcement action with respect to a Mortgage default or Delinquency. The Servicer must carry out Freddie Mac's instructions and work closely with Freddie Mac in handling enforcement actions. When delaying protective action might result in impairment of the Property or the lien of the Mortgage, the Servicer must immediately notify *Multifamily Surveillance* of the situation.



Upon the occurrence of a default or Delinquency or at the request of Freddie Mac, the Servicer must provide a default analysis to *Multifamily Asset Resolution* containing the items listed below and fulfill all other requests by Freddie Mac for further information within ten days after any such request.

1. [Form 1101, Legal Referral Form](#)

The Form must include the current, verified, address and other contact information for each of the following:

- Borrower
  - Borrower Principals, including general partner, or managing member, or president
  - Guarantor or individual with liability for Mortgage amounts,
2. A summary of any oral communications with the Borrower regarding the Delinquency
  3. A copy of written correspondence about the Delinquency between the Servicer and the Borrower
  4. A written analysis of any Reserves or any other form of Custodial Account, with current balances (The amounts paid for the most recent annual taxes and annual insurance premiums and the next required payment dates must also be provided.)
  5. The Borrower's payment history for the Mortgage
  6. A list of any Freddie Mac Mortgages related to the Borrower or Affiliates of the Borrower that are 30 days delinquent or have been 30 days delinquent in the last 12 months
  7. A general financial analysis of the current Property operations
  8. A Servicer's certificate regarding OFAC/FHFA SCP compliance regarding the Borrower and any Borrower Principals or Non-U.S. Equity Holders (See Section 41.1(d) and 41SBL.1(d) for a description of the certificate.)

**b. Servicer responsibilities (12/14/23)**

It is the Servicer's responsibility to act in the most timely, efficient and responsible manner to protect the interests of Freddie Mac. The Servicer must exercise diligence to prevent any losses.

Freddie Mac will advise the Servicer who will manage enforcement actions and provide instruction for any protective action if needed.

During the enforcement period, Freddie Mac may require the Servicer to provide such items as arrearage calculations, prior property inspections, original Loan Documents and recommendations for action. The Servicer must assist Freddie Mac when necessary to obtain third-party property inspections, title reports, title endorsements, Uniform Commercial Code (UCC) searches and





recorded documents in connection with any enforcement action. Freddie Mac may also require the Servicer to conduct a current property inspection.

**c. Legal representation (12/14/23)**

Counsel selected by Freddie Mac will conduct the legal representation of Freddie Mac in connection with any actions in response to Delinquencies and defaults. Freddie Mac will supervise the conduct of litigation and other actions. If the Servicer retains its own legal counsel in connection with the matters described in this section, the fees and expenses of such counsel will be the obligation of the Servicer and not of Freddie Mac.

**44.6 Enforcement actions – workouts (12/14/23)**

The Servicer must refer all Borrower written requests for any type of workout, including Mortgage modifications or repayment plans, to *Multifamily Asset Resolution*. Freddie Mac will negotiate the workout plan, have all necessary documents prepared, and notify the Servicer of any changes to the Mortgage.

**44.7 Enforcement actions – foreclosure and receivership (12/14/23)**

**a. Roles of Servicer and Freddie Mac (12/14/23)**

Freddie Mac or Freddie Mac retained counsel will commence and pursue any receivership or foreclosure action. To ensure prompt and efficient completion of the foreclosure proceedings, Freddie Mac expects the Servicer to work closely with the foreclosure attorney, trustee or substitute trustee selected by Freddie Mac. Such services may include the following:

1. Having appropriate officers of the Servicer appear as witnesses in discovery or court proceedings
2. Providing reports and documentation to be used in the receivership or foreclosure proceeding
3. Executing pleadings and affidavits

**b. Appointment of receiver and/or managing agent (08/30/13)**

Freddie Mac reserves the right to seek the appointment of a receiver and/or managing agent for the Property. The fee for the receiver and/or managing agent will ordinarily be paid from income generated from the Property. If the income generated from the Property is not sufficient to pay all normal operating expenses (including the fee for the services of the receiver and/or managing agent), the Servicer must, when requested by Freddie Mac, advance funds as and when necessary to pay that deficit. Freddie Mac will reimburse advances made by the Servicer in accordance with Section 45.3(b). However, for Delegated TAH Mortgages, any such advances are governed by the Seller/Servicer's Delegated TAH Master Agreement.

**c. Demand and acceleration (12/14/23)**

If Freddie Mac determines to pursue a foreclosure action, Freddie Mac will prepare and send the demand and acceleration letters to the Borrower, unless Freddie Mac provides other instructions to the Servicer.



## **44.8 Servicing during enforcement action (12/14/23)**

### **a. Third party report reimbursement (12/14/23)**

With the approval of Freddie Mac, the Servicer will advance the cost of any required Appraisal, environmental assessment or property condition report. Except for Delegated TAH Mortgages, Freddie Mac will reimburse the Servicer in accordance with Section 45.3(b).

### **b. Establishment of bid amount (06/30/15)**

The Servicer must provide the UPB, arrearages, advances, default interest and/or late charges, Yield Maintenance or other breakage fee, [Form 104, Loan and Real Estate Owned \(REO\) Expenses and Income](#), and all other amounts necessary to compute the total Mortgage debt to Freddie Mac upon request. Freddie Mac will determine the amount of the bid at a foreclosure sale and the bid will be entered by Freddie Mac's employee, its representative, or the attorney handling the foreclosure sale.

### **c. Reimbursement of costs advanced by Servicer (12/14/23)**

The Servicer must request in writing and receive approval from Freddie Mac before incurring any expense reimbursable under this section. The Servicer must attach to its approval request a copy of the Reserve and suspense account balances with a description of the source and reason for any suspense account funds.

All fees and expenses discussed in this section that are approved by Freddie Mac, including the cost of the legal counsel selected by Freddie Mac, must be billed to and paid by Freddie Mac. The Servicer must seek all reimbursements in accordance with the provisions of Section 45.3.

# Multifamily Seller/Servicer Guide

## Chapter 45

### Real Estate Owned



45.1 [General REO responsibilities \(10/07/08\)](#)

45.2 [Insurance \(10/07/08\)](#)

45.3 [Reimbursement of expenses incurred by the Servicer \(06/30/15\)](#)

- a. [Form 104, Loan and Real Estate Owned \(REO\) Expenses and Income submission \(06/30/15\)](#)
- b. [Reimbursable expenses \(10/07/08\)](#)
- c. [Income credits \(06/30/15\)](#)
- d. [Documentation requirements \(06/30/15\)](#)
- e. [Form 104, Loan and Real Estate Owned \(REO\) Expenses and Income, audits \(06/30/15\)](#)



## 45.1 General REO responsibilities (10/07/08)

Freddie Mac alone will handle the marketing, sale and disposition of multifamily Real Estate Owned (REO) properties for which Freddie Mac was the successful bidder at a foreclosure sale. Freddie Mac may, from time to time, request recommendations from Servicers regarding local brokers and/or prospective purchasers for REO. The Servicer's responsibility for servicing REO may continue at Freddie Mac's request until final disposition of the REO and Freddie Mac's receipt of all proceeds.

## 45.2 Insurance (10/07/08)

Freddie Mac may require the Servicer to maintain any insurance required by the Purchase and Servicing Documents until Freddie Mac acquires title to the REO. Freddie Mac maintains liability insurance and will place hazard coverage for properties acquired in its name.

## 45.3 Reimbursement of expenses incurred by the Servicer (06/30/15)

Freddie Mac will reimburse the Servicer for reasonable expenses incurred in accordance with the guidelines provided in Section 45.3(b) and/or specifically approved by Freddie Mac, when applicable, during the foreclosure process and during the period pending disposition. The Servicer must administer all funds in a Borrower's Reserve to pay expenses, but only in accordance with the terms set forth in the Loan Documents and State and local requirements. Reimbursement of expenses by Freddie Mac will always be proportionate to Freddie Mac's interest in the Mortgage.

Reimbursement of incurred expenses will be made by Freddie Mac upon receipt of a completed [Form 104, Loan and Real Estate Owned \(REO\) Expenses and Income](#).

### a. [Form 104, Loan and Real Estate Owned \(REO\) Expenses and Income submission \(06/30/15\)](#)

The Servicer must submit completed [Forms 104](#) via the Document Management System (DMS) using the Borrower Transactions instructions.

- The Servicer files the initial [Form 104](#) to request reimbursement of expenses incurred up to and during the foreclosure process (up to and including the date of acquisition). Freddie Mac must receive the initial [Form 104](#) within 45 days after the foreclosure sale.
- The Servicer files the final [Form 104](#) to request reimbursement of expenses incurred by the Servicer after the foreclosure sale. Freddie Mac must receive the final [Form 104](#) within 30 days following the sale of the REO.
- The Servicer may also submit a supplemental [Form 104](#) after an initial or final [Form 104](#) is filed to request reimbursement of any omission from either an initial or final [Form 104](#). These submissions must be received by Freddie Mac no later than 60 days following the sale of the REO.

Freddie Mac reserves the right to deny reimbursement if a [Form 104](#) is not received in accordance with the requirements set forth in this section.



## b. Reimbursable expenses (10/07/08)

Freddie Mac will reimburse Servicers for reasonable expenses incurred in accordance with the following guidelines.

Type of expenditure	Reimbursement guidelines
Trustee/legal/receiver fees	Reimbursement will be based on limitations established by Freddie Mac, unless the Servicer obtains prior written approval for an increased amount from Freddie Mac.
Advertising fees	Reimbursement will be made for reasonable and customary costs consistent with local foreclosure practices.
Sheriff fees	Reimbursement will be made for reasonable and customary costs consistent with local foreclosure practices.
Court costs	Reimbursement will be made for reasonable and customary costs consistent with local foreclosure practices.
Insurance premiums	Reimbursement will be made through the cancellation date of the policy.
Taxes	Reimbursement will be made for taxes assessed and paid; penalties and late charges will not be reimbursed by Freddie Mac.
Maintenance	Reimbursement will be made without prior approval up to a cumulative balance of \$1,500 per Property. If total expenditures in this category are expected to exceed \$1,500 for the Property, prior written approval from Freddie Mac is required.
Utilities	Reimbursement will be made for reasonable and customary charges based on the occupancy status and seasonal needs.
Repairs/replacement	Reimbursement will be made only for those expenditures receiving prior written approval from Freddie Mac unless the costs were incurred in an emergency situation to preserve and protect the Property and the Servicer notified Freddie Mac within 72 hours after occurrence.
Title costs	Reimbursement will be made only for title abstracts and title commitments. Reimbursement for title policies requires Freddie Mac's prior written approval.
Appraisals/broker price opinions/inspections	Reimbursement will be made only with Freddie Mac's prior written approval.
Management/leasing fees	Reimbursement will be made in accordance with contractual terms.

The Servicer must contact the assigned *Multifamily Asset Resolution Analyst* before the Seller/Servicer incurs an expense that requires Freddie Mac's prior approval. The Seller/Servicer's



failure to obtain prior approval may, in Freddie Mac's sole discretion, result in Freddie Mac's denial of the reimbursement request.

**c. Income credits (06/30/15)**

The Servicer must consult the assigned *Multifamily Asset Resolution Analyst* for direction regarding the use and application of any funds remaining in the Borrower's tax, insurance, Replacement Reserves, and other Reserves, or the proceeds of any hazard insurance claims received or rental income received by the Servicer during the foreclosure or period pending disposition.

If Freddie Mac has provided any special advance, that advance must be credited against the reimbursable expenses to which it relates and must be reflected on the final [Form 104](#) submitted with respect to the Property.

**d. Documentation requirements (06/30/15)**

Each [Form 104](#) must be accompanied by the appropriate supporting documentation:

1. Copies of the original bills and invoices with copies of the related checks evidencing payment. The Seller/Servicer must maintain the original canceled checks on the Seller/Servicer's premises for one year.
2. A copy of the approval letter received from the *Multifamily Asset Resolution Analyst*
3. When loan history copies are submitted to support expenses, the appropriate codes to interpret the loan history
4. For rehabilitation/construction work
  - Copies of the construction contract
  - Photographs of completed work for which the cost was in excess of \$25,000
  - Copies of waivers of mechanics' liens from all persons supplying labor or materials

All supporting documentation must be clearly labeled, legible and attached to [Form 104](#) in the same order as the items are listed in the expense and income sections of the form. Failure to comply with the documentation requirements will delay the reimbursement request and require resubmission of a complete and legible package by the Servicer.

**e. Form 104, Loan and Real Estate Owned (REO) Expenses and Income, audits (06/30/15)**

Freddie Mac will perform an audit of the [Form 104](#) for compliance with the reimbursement, submission and documentation guidelines. Any questionable items will be returned to the Servicer with an explanation for the denial. Servicers may appeal the denial by resubmitting the expense to Freddie Mac on an original [Form 104](#) with the appropriate documentation and explanation to justify noncompliance with the guidelines set forth in this section.

# Multifamily Seller/Service Guide

Chapter 46

Reserved



**Reserved for future use**



# Multifamily Seller/Servicer Guide

## Chapter 46SBL

### SBL Collateral, Repurchase and Loss Obligations



- 46SBL.1 [Overview \(08/18/22\)](#)
- 46SBL.2 [SBL Collateral requirements – establishment, use and replenishment \(02/16/23\)](#)
  - a. [SBL Collateral Requirements – Cash \(02/16/23\)](#)
  - b. [SBL Collateral Requirements – Letter of Credit \(02/16/23\)](#)
- 46SBL.3 [Secondary Market Transaction \(08/18/22\)](#)
- 46SBL.4 [Repurchase Obligations \(08/18/22\)](#)
  - a. [Applicability of Repurchase Obligations \(08/18/22\)](#)
  - b. [Ineligible for Securitization \(08/18/22\)](#)
  - c. [Monetary default \(08/18/22\)](#)
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  - e. [Repurchase Period \(08/18/22\)](#)
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- 46SBL.5 [Repurchase Options \(08/18/22\)](#)
  - a. [During Repurchase Period \(08/18/22\)](#)
  - b. [Following the Repurchase Period and Prior to an SBL Mortgage Default \(08/18/22\)](#)
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- 46SBL.6 [Loss Obligation \(08/18/22\)](#)
  - a. [SBL Loss Obligation \(08/18/22\)](#)
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  - c. [Loss Maximum \(08/18/22\)](#)
  - d. [SBL Loss Obligation Calculation \(09/28/18\)](#)
  - e. [Loss Statement \(08/18/22\)](#)
  - f. [Interim SBL Loss Information Statement \(08/18/22\)](#)
  - g. [REO Property Repurchase Option \(08/18/22\)](#)



## 46SBL.1 Overview (08/18/22)

This chapter describes the collateral, repurchase and loss determination requirements for SBL Mortgages originated under the SBL Purchase Product as described in Chapter 18SBL. In this chapter, the term “Servicer” will refer to the applicable SBL Seller/Servicer in its role as Servicer of an SBL Mortgage.

## 46SBL.2 SBL Collateral requirements – establishment, use and replenishment (02/16/23)

Each Seller/Servicer must post \$5 million in collateral, either in cash or a letter of credit (“SBL Collateral”), to ensure that it can meet its obligations to Freddie Mac described in this Chapter 46SBL (collectively, the “SBL Obligations”). The SBL Collateral must be posted within 30 days after the Seller/Servicer’s approval as an SBL Seller/Servicer. Freddie Mac will not accept an underwriting package or rate lock an SBL Mortgage prior to the Seller/Servicer’s posting of the SBL Collateral.

If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation as provided in this Chapter 46SBL, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

If Freddie Mac withdraws funds from the SBL Cash Collateral Account (defined below) or draws on the Letter of Credit – SBL (defined below) in accordance with this Section 46SBL.2, then Freddie Mac will notify the Seller/Servicer of such action in writing. Within three Business Days following the Seller/Servicer’s receipt of such notice, it must wire funds to the designated SBL Cash Collateral Account or provide an additional Letter of Credit – SBL, as applicable, to Freddie Mac in an amount sufficient to ensure that the Seller/Servicer continues to satisfy the SBL Collateral requirement specified in this Section 46SBL.2.

### a. SBL Collateral Requirements – Cash (02/16/23)

If the Seller/Servicer satisfies the SBL Collateral requirement with cash, then all the following requirements apply:

- The Seller/Servicer must remit a cash collateral fee to Freddie Mac in the amount of \$50,000 (“Cash Collateral Fee”) by wire transfer prior to establishment of the SBL Cash Collateral Account described below. The Seller/Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Counterparty Risk & Compliance*. The Seller/Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Seller/Servicer name, Seller/Servicer number and the Freddie Mac contact person.
- The Cash Collateral Fee is non-refundable. However, the Cash Collateral Fee will be returned to the Seller/Servicer if the Seller/Servicer subsequently determines that it will satisfy the SBL Collateral requirement in the form of a letter of credit instead, and the change to a letter of credit is made:
  - Prior to the establishment of the SBL Cash Collateral Account, and
  - Within 30 days after the Seller/Servicer’s approval as an SBL Seller/Servicer



- The Seller/Servicer must deposit the SBL Collateral in an account for the benefit of Freddie Mac (“SBL Cash Collateral Account”).
- Although the SBL Cash Collateral Account is not a Custodial Account, it is subject to the requirements of Chapter 52 pertaining to Custodial Accounts (as modified by this Chapter 46SBL), including recordkeeping and reporting requirements.
- The Seller/Servicer must establish the SBL Collateral Account with a depository institution that (A) is neither the Seller/Servicer or an affiliate of the Seller/Servicer, (B) meets the eligible depository requirements of Section 52.2(3), and (C) that is otherwise acceptable to Freddie Mac.
- The SBL Cash Collateral Account must be designated exactly as shown in one of the following:
  - “(Name of Seller/Servicer) – Freddie Mac SBL Cash Collateral Account”
  - “Freddie Mac SBL Cash Collateral Account – (Name of Seller/Servicer)”
- Interest earned on the SBL Cash Collateral Account, if any, less the fees and expenses for establishing and maintaining the account, will accrue and be applied to the SBL Cash Collateral Account.
- In lieu of the requirements of Section 52.6, the Seller/Servicer must deliver to Freddie Mac each of the following documents governing the SBL Cash Collateral Account (in a form and substance acceptable to Freddie Mac):
  - An SBL Cash Collateral Pledge, Security and Custody Agreement among the Seller/Servicer, the depository institution and Freddie Mac.
  - If required by the depository institution, a deposit account control agreement or similar agreement.

**b. SBL Collateral Requirements – Letter of Credit (02/16/23)**

1. If the Seller/Servicer satisfies the SBL Collateral requirement by providing a letter of credit, then all the following requirements apply:
  - The Seller/Servicer must deliver to Freddie Mac a letter of credit in an amount equal to the SBL Collateral requirement and otherwise satisfying the requirements of this Section 46SBL.2(b) (“SBL Letter of Credit”).
  - The SBL Letter of Credit is subject to the requirements of Section 11.2 pertaining to letters of credit, as modified by this Chapter 46SBL.
  - The required forms of the SBL Letter of Credit and [Form 921, Letter of Credit Certification – SBL](#), are available at [mf.freddiemac.com](http://mf.freddiemac.com).
  - Each time a new Letter of Credit – SBL (or an amendment to an existing Letter of Credit – SBL) is required, the Seller/Servicer must deliver the original Letter of



Credit – SBL (or any amendment to an existing Letter of Credit – SBL) to Freddie Mac together with a [Form 921, Letter of Credit Certification – SBL](#), and an opinion of issuer's counsel approved by the applicable Freddie Mac *Multifamily Attorney*.

- All documentation required under this Section 46SBL.2(b) must be delivered to *Multifamily Counterparty Risk & Compliance*.
  - If the Seller/Servicer is replacing an SBL Cash Collateral Account with an SBL Letter of Credit, the Seller/Servicer must contact *Multifamily Counterparty Risk & Compliance* at least 60 days prior to the anticipated replacement date for complete requirements related to the replacement.
2. In addition to Freddie Mac's right to draw upon the Letter of Credit – SBL, if the Seller/Servicer fails to timely meet its SBL Obligations as described in Section 46SBL.2, Freddie Mac may also draw upon the Letter of Credit – SBL for any of the following reasons:
- The Seller/Servicer fails to provide Freddie Mac with a renewal or replacement of the Letter of Credit – SBL at least 30 days prior to the expiration of the Letter of Credit – SBL.
  - The Letter of Credit Issuer ceases to be an Eligible Institution.

These reasons, individually and collectively, are an “Expiration or Non-Eligible Institution Draw Trigger.”

If Freddie Mac draws on a Letter of Credit – SBL following the occurrence of an Expiration or Non-Eligible Institution Draw Trigger, Freddie Mac will deposit the proceeds of the draw into a Freddie Mac account until the Seller/Servicer establishes an SBL Cash Collateral Account in accordance with the requirements set forth in Section 46SBL.2(a). The proceeds of the Letter of Credit – SBL held in the Freddie Mac account are SBL Collateral. If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

### **46SBL.3 Secondary Market Transaction (08/18/22)**

Freddie Mac intends to include the SBL Mortgages as assets of a Secondary Market Transaction. “Secondary Market Transaction” means: (i) any sale or assignment of the Loan Agreement, the Note and the other Loan Documents to one or more investors as a whole loan, (ii) a participation of the SBL Mortgage to one or more investors, (iii) any deposit of the Loan Documents with a trust or other entity which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or other entity, (iv) any other sale, assignment or transfer of the SBL Mortgage or any interest in the SBL Mortgage to one or more investors, or the use of the SBL Mortgage as part of any transaction's reference pool.



## 46SBL.4 Repurchase Obligations (08/18/22)

The Seller/Servicer must repurchase an SBL Mortgage if that SBL Mortgage is (i) deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization, as described in Section 46SBL.4(b) and/or (ii) the subject of a monetary or nonmonetary default described in Sections 46SBL.4(c) and 46SBL.4(d) (collectively, the “SBL Repurchase Obligations”) and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage as described in Section 46SBL.4(g).

### a. Applicability of Repurchase Obligations (08/18/22)

The SBL Repurchase Obligations only apply if the underlying event giving rise to the SBL Repurchase Obligation occurs during the SBL Repurchase Period, as described in Section 46SBL.4(e).

The SBL Repurchase Obligations apply notwithstanding that the Seller/Servicer may have endorsed any SBL Mortgage Note or other Loan Document to Freddie Mac “without recourse.”

The SBL Repurchase Obligations do not limit or otherwise impair Freddie Mac’s ability to enforce its rights against the Seller/Servicer identified elsewhere in this Guide.

### b. Ineligible for Securitization (08/18/22)

1. **Qualified Mortgage.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if the SBL Mortgage is not a “Qualified Mortgage.” For the purpose of this Section 46SBL.4(b), a Qualified Mortgage is a mortgage that is “principally secured” by an interest in real property, and “principally secured” means that the fair market value of the real property collateral for the SBL Mortgage is at least 80 percent of the outstanding principal balance of the SBL Mortgage (or a loan-to-value ratio of 125 percent or less), tested both as of the Origination Date and when the SBL Mortgage is put into the applicable securitization.
2. **Condemnation Valuation.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if any portion of the Property is released from the lien of the SBL Mortgage in connection with a Condemnation (as defined in the Loan Agreement) and the ratio of (i) the unpaid principal balance of the SBL Mortgage to (ii) the value of the Property (taking into account only the related land and buildings and not any personal property or going-concern value), as determined by Freddie Mac in its sole and absolute discretion based on a commercially reasonable valuation method permitted in connection with a securitization, is greater than 125 percent immediately after the Condemnation and before any Restoration (as defined in the Loan Agreement) or repair of the Property (but taking into account any planned Restoration or repair of the Property as if such planned Restoration or repair were completed).

If Freddie Mac enforces an SBL Repurchase Obligation with respect to an SBL Mortgage for this reason, Freddie Mac will credit to the Seller/Servicer any net proceeds or awards from such Condemnation received by Freddie Mac, less any costs and expenses incurred by Freddie Mac in connection with the Condemnation and the Repurchase.

c. **Monetary default (08/18/22)**

As of March 30, 2020, the Seller/Servicer is subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for failure to pay or deposit when due any amount required by the Loan Documents (“Required Loan Payment(s)”) when the Required Loan Payment has been delinquent for the period of time specified in the chart below (“Delinquency Period”):

Delinquency Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages
Applicable Delinquency Period*	120 consecutive days beginning on the date the Required Loan Payment following the end of the forbearance period was due	60 consecutive days beginning on the date the Required Loan Payment was due	60 consecutive days beginning on the date the Required Loan Payment was due
*Calculated without considering any grace or cure period that may be applicable to the Required Loan Payment in the Loan Documents.			

d. **Non-monetary default (08/18/22)**

The Seller/Servicer is also subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for any of the following non-monetary “Events of Default” described in the Loan Agreement for that SBL Mortgage (“Non-Monetary Defaults”):

- Section 9.01(d) or Section 8.01(b) (fraud, material misrepresentation or material omission)
- Section 9.01(f) or Section 8.01(g) (transfers that violate the provisions of Article VII of the Loan Agreement, including liens on the Mortgaged Property)
- Section 9.01(g) or Section 8.01(h) (forfeiture proceeding)
- Section 9.01(j and n) or Section 8.01(i and j) (uncured defaults(s) under other lien(s) on the Mortgaged Property)
- Section 9.01(k) or Section 8.01 (l and m) (bankruptcy, insolvency and related matters)
- Section 9.01(p) or Section 8.01(n) (Guarantor bankruptcy)



Note that references above to Loan Agreement Sections 9.01 apply to Mortgages with Loan Agreements that have a form revision date prior to 11/02/15.

**e. Repurchase Period (08/18/22)**

As of March 30, 2020, the repurchase period for Seller/Servicer’s SBL Repurchase Obligations begins on the Origination Date of the SBL Mortgage and remains in effect until the earlier to occur of the events set forth in Sections 46SBL.4(e)(1) through (4) (collectively, the “Repurchase Period”).

- 1. The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.
- 2. The last day of the applicable initial Repurchase Period specified in the chart in Section 46SBL.4(e)(3) below (“Initial Repurchase Period”) unless one of the following conditions is applicable:
  - (A) Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for the SBL Mortgage, as set forth in 46SBL.4(g) and the SBL Mortgage repurchase has not been completed, in which case the Repurchase Period for the SBL Mortgage is extended until the repurchase has been completed.
  - (B) An Extended Repurchase Period Trigger has occurred as provided in subsection 46SBL.4(e)(3).
- 3. The last day of the applicable extended Repurchase Period specified in the chart below (“Extended Repurchase Period”) if any of the following conditions are applicable (each an “Extended Repurchase Period Trigger”):
  - (A) Borrower fails to make any Required Loan Payment during the final three months of the Initial Repurchase Period.
  - (B) Funds from the COVID-19 Debt Service Reserve, if applicable, are used to make any Required Loan Payment during the final three months of the Initial Repurchase Period.
  - (C) An event that could trigger a Repurchase Obligation has occurred and is continuing at the expiration of the Initial Repurchase Period.

If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during the Extended Repurchase Period, the Repurchase Period for that SBL Mortgage is extended until the repurchase has been completed.

Repurchase Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages



Repurchase Period			
<b>Initial Repurchase Period</b>	12 months from the Origination Date of the SBL Mortgage <u>plus</u> the number of months for which the SBL Mortgage receives forbearance	12 months from the Origination Date of the SBL Mortgage	12 months from the Origination Date of the SBL Mortgage
<b>Extended Repurchase Period*</b> *When subject to an Extended Repurchase Period Trigger	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period

4. The occurrence of a Secondary Market Transaction Standstill Event (as defined below) unless one of the following is applicable:
- (A) If Seller/Servicer is subject to a Repurchase Obligation during any applicable Repurchase Period and such Repurchase Obligation is in effect prior to the Secondary Market Transaction Standstill Event, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage.
  - (B) If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during any applicable Repurchase Period, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage until the repurchase has been completed.

A “Secondary Market Transaction Standstill Event” will be deemed to be in effect when one of the following occurs:

- i. Either the Federal Housing Finance Agency (FHFA), the U.S. Department of Treasury (Treasury), any successor to the FHFA or Treasury, or any other conservator or regulator with authority over Freddie Mac directs Freddie Mac to stop including SBL Mortgages as assets of a Secondary Market Transaction, and as a result, Freddie Mac has not included any SBL Mortgages as part of a Secondary Market Transaction for 30 consecutive calendar days.



- ii. Freddie Mac has declined to or is unable to include SBL Mortgages as assets of a Secondary Market Transaction for 120 consecutive calendar days for any reason other than the reasons set forth in Section 46SBL.4(e), subsection 4(i) above.

**f. Notice of repurchase event (08/18/22)**

Within five Business Days following its discovery of the occurrence of a 60 Day Delinquency or a Non-Monetary Default, the Seller/Servicer will provide Freddie Mac written notice of the occurrence of such event. If Freddie Mac discovers the occurrence of a 60 Day Delinquency or a Non-Monetary Default, Freddie Mac will provide written notice to the Seller/Servicer of such event.

**g. Repurchase determination and notification to Seller/Servicers (08/18/22)**

If an SBL Mortgage is subject to an SBL Repurchase Obligation during a Repurchase Period and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage (“SBL Repurchase Mortgage”), Freddie Mac will provide written notice to the Seller/Servicer of such election (“Repurchase Notice”).

The Seller/Servicer must purchase the SBL Repurchase Mortgage from Freddie Mac no later than 10 Business Days after its receipt of a Repurchase Notice from Freddie Mac (“Mandatory Repurchase Date”) by paying to Freddie Mac the Repurchase Price, which is described in Section 46SBL.4(h)(1).

Until the Seller/Servicer’s repurchase of an SBL Repurchase Mortgage, Freddie Mac, in its sole discretion, will direct and control any loss mitigation activities with respect to the SBL Repurchase Mortgage.

**h. Repurchase requirements (08/18/22)**

1. **Repurchase Price.** The “Repurchase Price” is the sum of the following amounts as of the date specified in the Repurchase Notice:
  - The unpaid principal balance of the SBL Repurchase Mortgage as of the anticipated date of repurchase (payoff)
  - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment (as described in Chapter 50) through the day before the anticipated repurchase
  - Any amounts advanced by Freddie Mac in connection with the SBL Repurchase Mortgage for which Freddie Mac has not been reimbursed
2. **Repurchase Expenses.** The Seller/Servicer will be responsible for all expenses payable in connection with the transfer of the SBL Repurchase Mortgage to the Seller/Servicer, including all documentary stamp taxes, recording fees, title insurance fees, transfer taxes and legal fees (“Repurchase Expenses”).
3. **Repurchase Statement.** The Repurchase Notice will include an informational statement listing the Repurchase Price information described in Section 46SBL.4(h)(1) above, as well as any Repurchase Expenses owed to Freddie Mac. It will also include

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the Freddie Mac account information required for the Seller/Servicer's wire transfer and any Repurchase Expenses incurred by Freddie Mac ("Repurchase Statement").

4. **Completion of Repurchase.** An SBL Repurchase Obligation with respect to an SBL Repurchase Mortgage will not be satisfied until the Seller/Servicer has satisfied the remittance and reporting requirements of Chapters 53 and 54 with respect to the repurchase.
5. **Repurchase Obligation Default.** If the Seller/Servicer fails to repurchase the SBL Repurchase Mortgage by the Mandatory Repurchase Date ("Repurchase Obligation Default"), in addition to the Repurchase Price, Repurchase Expenses, and any other rights and remedies Freddie Mac may have with respect to the Seller/Servicer under the Guide (including suspension or termination of selling and servicing rights), Freddie Mac may charge the Seller/Servicer an interest reimbursement fee as provided in Section 53.11.

Following a Repurchase Obligation Default, Freddie Mac will recalculate the Repurchase Price, determine whether additional amounts are due, and provide the Seller/Servicer with a revised Repurchase Statement.

If the Seller/Servicer fails to repurchase an SBL Repurchase Mortgage within 10 Business Days following Freddie Mac's transmission of a revised Repurchase Statement to the Seller/Servicer, in addition to the Repurchase Price and all other amounts due to Freddie Mac under this Section 46SBL.4(h)(5), the Seller/Servicer will become obligated to Freddie Mac for all SBL Losses (as defined in Section 46SBL.6) with respect to the SBL Repurchase Mortgage.

6. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Repurchase Statement and diligently attempt to resolve any questions or claimed errors in the Repurchase Statement. Absent patent error, Freddie Mac's determination of the amount of the Repurchase Price will be final.

## 46SBL.5 Repurchase Options (08/18/22)

The Seller/Servicer has the right to repurchase an SBL Mortgage ("Repurchase Option") as provided below.

### a. During Repurchase Period (08/18/22)

Subject to satisfaction of each of the conditions set forth in 1-4 below, the Seller/Servicer has the right to a Repurchase Option (i) prior to the expiration of the Repurchase Period for any SBL Mortgage in default under the terms of the applicable Loan Documents, and (ii) prior to the Seller/Servicer's receipt of a Repurchase Notice from Freddie Mac for any SBL Mortgage subject to a Repurchase Obligation as described in Section 46SBL.4.

1. The Seller/Servicer must exercise the Repurchase Option not less than two Business Days prior to the initial pricing date of the Secondary Market Transaction for which the SBL Mortgage has been preliminarily designated as collateral.



2. The Seller/Servicer must provide written notice to Freddie Mac of its Repurchase Option election, which notice must include all the following:
  - Freddie Mac loan number
  - Property name
  - Reason for the repurchase
  - Seller/Servicer's estimate of the Repurchase Price
3. Freddie Mac will verify the Repurchase Price and provide written confirmation of the Repurchase Price to the Seller/Servicer.
4. The Seller/Servicer must purchase the SBL Mortgage within 10 Business Days following the date of the written notice to Freddie Mac of the Repurchase Option election. The Seller/Servicer will be responsible for the payment of any Repurchase Expenses.

**b. Following the Repurchase Period and Prior to an SBL Mortgage Default (08/18/22)**

If the Repurchase Period has expired and the Seller/Servicer's SBL Mortgage has not yet been included as an asset of a Secondary Market Transaction and Freddie Mac still owns the SBL Mortgage, the Seller/Servicer may exercise a Repurchase Option with respect to the SBL Mortgage, subject to the provisions of Section 46SBL.5(a). For any SBL Mortgage that has become an SBL Defaulted Mortgage following the Repurchase Period, the Repurchase Option is subject to Section 46SBL.5(c).

**c. Following an SBL Defaulted Mortgage Determination (08/18/22)**

If the Repurchase Period has expired, and the SBL Mortgage has become an SBL Defaulted Mortgage, then the Seller/Servicer may exercise a Repurchase Option with respect to the SBL Defaulted Mortgage if all the conditions below are satisfied:

- The Seller/Servicer provides Freddie Mac written notice of its Repurchase Option Election that includes all of the requirements in Section 46SBL.5(a)(2) within 30 days after the occurrence of a 60 Day Delinquency or within 60 days after the occurrence of a Non-Monetary Default
- The Seller/Servicer's exercise of the Repurchase Option complies with Sections 46SBL.5(a)(1), (3), and (4)
- The Servicer pays to Freddie Mac any applicable SBL Losses with respect to the SBL Defaulted Mortgage as provided in Section 46SBL.6

**46SBL.6 Loss Obligation (08/18/22)**

**a. SBL Loss Obligation (08/18/22)**

For each SBL Mortgage, upon a Mortgage Default (as defined in Section 46SBL.6(d)(1)), if Freddie Mac suffers a loss with respect to an SBL Mortgage that has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise), the Seller/Servicer will be liable to Freddie Mac for the first loss/top loss on that SBL Mortgage up to the Loss

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Maximum defined in Section 46SBL.6(c) (“SBL Loss Obligation”), for the period set forth in Section 46SBL.6(b), calculated as set forth in Section 46SBL.6(d).

Notwithstanding the endorsement to Freddie Mac of any SBL Mortgage Note or other Loan Document by the Seller/Servicer “without recourse,” the Seller/Servicer acknowledges and agrees that it will be liable for the payment to Freddie Mac of its SBL Loss Obligation.

**b. Loss Obligation Period (08/18/22)**

The “Loss Obligation Period” for an SBL Mortgage is set forth in Sections 46SBL.6(b)(1) - (2).

1. The Seller/Servicer’s Loss Obligation Period commences immediately upon the expiration of the Repurchase Period for any SBL Mortgage that Freddie Mac has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise).
2. The Loss Obligation Period for an SBL Mortgage will terminate upon the earlier to occur of:
  - The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage
  - The Seller/Servicer’s payment of the applicable Loss Obligation for the SBL Mortgage as set forth on the Loss Statement, as described in Section 46SBL.6(e), subject to the Loss Maximum specified in Section 46SBL.6(c)
  - The Seller/Servicer’s payment of the SBL REO Price for the Property secured by the SBL Mortgage, if the Seller/Servicer selected the REO Property Repurchase Option described in Section 46SBL.6(g)
  - The occurrence of a Secondary Market Transaction Standstill Event (as defined in Section 46SBL.4(d) above); provided, however, that if an SBL Mortgage is in the Loss Obligation Period and a Mortgage Default has occurred prior to the effective date of the Secondary Market Transaction Standstill Event, the SBL Loss Obligation will remain in effect for any such SBL Mortgage until the SBL Loss Obligation for that SBL Mortgage is satisfied

**c. Loss Maximum (08/18/22)**

The maximum Seller/Servicer loss with respect to an SBL Loss Obligation (“Loss Maximum”) for any SBL Mortgage will equal ten percent of the principal balance of the SBL Mortgage as of the Origination Date for the SBL Mortgage. The amount of the SBL Loss Obligation will be calculated as provided in Section 46SBL.6(d).

**d. SBL Loss Obligation Calculation (09/28/18)**

1. Following the expiration of the Repurchase Period for an SBL Mortgage, the occurrence of any event that entitles Freddie Mac to accelerate the indebtedness or seek other relief against the Borrower pursuant to the Loan Documents (subject to any applicable

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grace or cure period in the Loan Documents) is a “Mortgage Default,” and the SBL Mortgage is a “Defaulted Mortgage.”

2. For purposes of calculation of the amount of the loss for an SBL Mortgage (“SBL Loss”), if the Loan Documents provide a grace or cure period with respect to a failure by the Borrower to comply with one or more of its obligations, the Mortgage Default will be deemed to have occurred on the date of the failure, not the end of the grace or cure period.
3. The date on or after the Mortgage Default on which Freddie Mac calculates the SBL Loss is the “SBL Loss Obligation Calculation Date.”
4. The terms “SBL Loss” or “SBL Losses” mean the sum of each of the following, minus any applicable Default Recoveries or Modification Recoveries:
  - The unpaid principal balance of the Defaulted Mortgage as of the Mortgage Default
  - Default or Modification Resolution Costs as of the SBL Loss Obligation Calculation Date
  - Interest due from Borrower under the Loan Documents from the date of the Mortgage Default until the SBL Loss Obligation Calculation Date not otherwise included in the calculation of Default or Modification Resolution Costs
5. “Default or Modification Resolution Costs” means the sum of the following paid or incurred by, or on behalf of, Freddie Mac:
  - The cost, if any, of servicing by a third-party servicer of the SBL Mortgage while a Mortgage Default is continuing
  - All costs and expenses, including legal fees, and receivership fees and expenses, incurred in connection with any Loss Mitigation Activities
  - All costs and expenses, including legal fees, incurred in connection with a Bankruptcy Proceeding or a forbearance or the modification of the Loan Documents
  - All costs and expenses, incurred in connection with the rehabilitation, maintenance and/or operation of the Property securing the SBL Mortgage, including legal fees, receivership fees and expenses, taxes, insurance, management fees, maintenance salaries, utilities, leasing commissions and the cost of any repairs or improvements necessary to restore the Property to decent, habitable, safe and sanitary condition and necessary to maximize the value of the Property
  - All costs and expenses, including legal fees, sales commissions and third-party costs incurred in connection with the disposition of the Property or a forbearance or the modification of the Loan Documents
  - Any other payments due and owing from the Borrower to Freddie Mac





The reasonableness and necessity of all Default or Modification Resolution Costs will be determined by Freddie Mac in its sole discretion.

6. “Default Recoveries” means all the following amounts received by Freddie Mac:

- If the Property or Note evidencing or securing the SBL Mortgage has been sold, any amounts received from the sale of the Property or Note, net of any sales commissions, legal fees or costs of sale, other than those described in Section 46SBL.6(d)(5) above (excluding any fees, interest or other charges in connection with a mortgage made or purchased to facilitate the sale of the Property or Note)
- If the Property or Note evidencing or securing the SBL Mortgage has not been sold, and the Property has been owned by Freddie Mac for 30 or more months, the Appraised Value of the Property (less necessary and reasonable operating costs)
- All rental or other income received by Freddie Mac from the operation of the Property (or from a court-appointed receiver) since the date of the Mortgage Default
- Any other amounts received from the Borrower on account of the SBL Mortgage since the date of the Mortgage Default
- Any amounts received from any guarantor(s) of the Borrower’s obligations since the date of the Mortgage Default
- Any amounts received from any third party with respect to the Property, including insurance proceeds, condemnation proceeds, insurance premium rebates, property tax refunds, and vendor refunds rebates
- Any escrows, reserves or previously unapplied amounts that are applied against amounts owed under the SBL Mortgage
- The proceeds of any insurance policies not applied to restoration of the Property or obligations of the Borrower

7. “Modification Recoveries” means all the following amounts received by Freddie Mac:

- Any amounts received from the Borrower or any guarantor on account of the SBL Mortgage since the date of the Mortgage Default, which amounts have not been applied to principal or interest
- The present value (calculated at the original gross interest rate of the Note secured by the SBL Mortgage) of all payments due and owing to Freddie Mac through the date of maturity of the SBL Mortgage under the original terms of the Loan Documents, as modified or forborne

**e. Loss Statement (08/18/22)**

1. **Issuance of the Loss Statement.** Following the calculation of the SBL Loss and the applicable Loss Maximum, Freddie Mac will issue a loss statement to the Seller/Service (‐Loss Statement‐) that includes the following information:





- An itemized calculation of the SBL Loss with respect to the Defaulted Mortgage
  - The Freddie Mac account information required for the Seller/Servicer's wire transfer to Freddie Mac in satisfaction of the SBL Loss Obligation
2. **Remittance Due Date.** The Seller/Servicer must remit the amount due and payable to Freddie Mac identified on the Loss Statement within 10 Business Days after the date of the Loss Statement. Payment must be made by wire transfer of funds to the account as Freddie Mac designates in the Loss Statement.
3. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Loss Statement and diligently attempt to resolve any questions or claimed errors in the Loss Statement. Absent patent error, Freddie Mac's determination of the amount of the SBL Loss Obligation will be final.

**f. Interim SBL Loss Information Statement (08/18/22)**

Upon the request of the Seller/Servicer, if a Mortgage Default has occurred and is continuing, Freddie Mac will transmit to the Seller/Servicer an informational statement setting forth the accrued SBL Loss for the SBL Mortgage as of the date of the informational statement ("Interim Loss Information Statement").

The Interim Loss Information Statement will contain the same information that would be provided in a Loss Statement, with the amounts calculated as though the date of the Interim Loss Information Statement was an SBL Loss Obligation Calculation Date. Freddie Mac will not be required to provide the Seller/Servicer with an Interim Loss Information Statement for a Defaulted Mortgage more than once each calendar quarter. The Seller/Servicer agrees that any Interim Loss Information Statement is for informational purposes only and if there is a conflict between an Interim Loss Information Statement and an SBL Loss Statement, the SBL Loss Statement will control.

**g. REO Property Repurchase Option (08/18/22)**

If the Property securing a Defaulted Mortgage becomes an REO Property ("REO Property"), the Seller/Servicer may elect to purchase the REO Property in lieu of paying the SBL Loss. The purchase price for the REO Property will be calculated as follows ("SBL REO Price"):

- The sum of each of the following:
  - The unpaid principal balance of the Defaulted Mortgage as of the acquisition date or the date of acceptance of a deed in lieu of foreclosure
  - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before the Seller/Servicer's purchase of the REO Property
  - Any expenses reimbursed by Freddie Mac to the Servicer



- Any expenses incurred by Freddie Mac in marketing the REO Property
- Reduced by each of the following:
  - Any sale proceeds
  - Other proceeds or refunds remitted to Freddie Mac by or on behalf of the Servicer, except any rental proceeds remitted or due to Freddie Mac

At Freddie Mac's discretion, the SBL REO Price will include an amount equal to any loss, damage or expense, including court costs, costs of investigation and reasonable attorney fees, incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller/Servicer of Freddie Mac's interest in the REO Property. In addition, the Seller/Servicer must pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of the REO Property to the Seller/Servicer, including legal fees.

# Multifamily Seller/Servicer Guide

## Chapter 47

### Repurchases; Indemnification



- 47.1 [Remedies \(10/21/21\)](#)
  - a. [Remedies applicable to all Mortgages that are not Delegated TAH Mortgages \(10/21/21\)](#)
  - b. [Remedies applicable to Delegated TAH Mortgages \(09/28/18\)](#)
- 47.2 [Grounds for requiring repurchase or indemnification \(05/01/14\)](#)
- 47.3 [Appealing a repurchase or indemnification request \(04/30/19\)](#)
- 47.4 [Repurchase price and other expenses \(05/01/14\)](#)
  - a. [Repurchase price \(05/01/14\)](#)
  - b. [Other expenses \(12/05/03\)](#)
- 47.5 [Repurchases requested by the Seller \(10/07/02\)](#)
- 47.6 [Reporting of repurchases \(10/07/02\)](#)
- 47.7 [Interest reimbursement fee \(10/07/02\)](#)
- 47.8 [Indemnification \(05/01/14\)](#)
- 47.9 [Survival of Freddie Mac's remedies; misrepresentations by the Seller or Servicer \(10/07/02\)](#)
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- 47.11 [Risk sharing for Delegated TAH Mortgages \(08/30/13\)](#)



## 47.1 Remedies (10/21/21)

### a. Remedies applicable to all Mortgages that are not Delegated TAH Mortgages (10/21/21)

In addition to any other remedies it may have at law or in equity, for any Mortgage it purchased, Freddie Mac may take additional remedial actions, including, without limitation:

- Engage in more frequent dialogue, audits, and/or require the Seller/Servicer to provide additional information or data
- Require the Seller/Servicer to provide an action, business continuity or remediation plan acceptable to Freddie Mac to address specific requirements not met
- Demand further reasonable assurances or information
- Issue a demand for any other specific corrective action
- Limit the risk characteristics of loans to be acquired by Freddie Mac from the Seller/Servicer
- Limit variances to loans acquired by Freddie Mac from the Seller/Servicer
- Limit or deny the acceptability of Seller/Servicer's and affiliate's products or services in connection with Freddie Mac's business
- Restrict or deny participation in new products, initiatives or programs offered by Freddie Mac
- Impose additional fees upon loans acquired by Freddie Mac from the Seller/Servicer
- Require posting of collateral, in cash or cash equivalent
- Impose business volume limits for loans to be acquired by Freddie Mac from the Seller/Servicer
- Limit additional Servicing that can be acquired by the Seller/Servicer
- Add Seller/Servicer's Senior Management to the Freddie Mac Exclusionary List
- Require engagement of a Servicing Agent or replacement of an existing Servicing Agent
- Require Transfer of Servicing
- Suspend Seller/Servicer
- Terminate Seller/Servicer

Also, in any of the cases or events stated in Section 47.2, in addition to any other remedies it may have at law or in equity, for any Mortgage it has purchased, Freddie Mac may require the Seller or Servicer to:



- Indemnify Freddie Mac from and hold it harmless for any loss, damage or expense (including court costs, costs of investigation and reasonable attorney fees) that it may sustain which may arise in connection with the Mortgage or related documents, or
- Repurchase Freddie Mac's interest in the Mortgage at any time, including after a Securitization of a Mortgage

The decision whether to require repurchase or indemnification will be made by Freddie Mac. For purposes of this chapter, the term “interest in a Mortgage” will include an interest in the Real Estate Owned (REO) that previously secured the Mortgage (see Section 47.4).

Freddie Mac will not assign its indemnification rights under this section as part of any Securitization.

#### **b. Remedies applicable to Delegated TAH Mortgages (09/28/18)**

The capitalized terms in this chapter are defined in the Glossary or in each Seller/Servicer's Delegated TAH Master Agreement.

In any of the cases or events stated in Section 47.2, in addition to any other remedies it may have at law or in equity, for any Delegated TAH Mortgage it has purchased, Freddie Mac may require the Seller/Servicer of the Delegated TAH Mortgage to:

1. Correct the case or event stated in Section 47.2 within the period of time as specified by Freddie Mac,
2. Increase the Seller's share of Loss for any Mortgage that has given rise to the case or event stated in Section 47.2 from a Standard Loss to an Enhanced Loss as provided in the Seller/Servicer's Delegated TAH Master Agreement,
3. Terminate the Servicer's right to service any or all of the Mortgages and transfer all servicing responsibilities to another Servicer acceptable to Freddie Mac. In the event of such a termination, the Seller's right to the Risk Sharing Fee will not terminate; but any right to any future portion of the Servicing Fee will terminate. The Seller/Servicer must agree to cooperate fully in any such Transfer of Servicing,
4. To the extent that Freddie Mac has suffered loss, liability, damage or expense, submit an invoice to the Seller for such loss, liability, damage or expense and, if not paid within 10 Business Days after submission, draw upon the Letter of Credit or other security pursuant to the Seller/Servicer's Delegated TAH Master Agreement as to which any case or event stated in Section 47.2 relates,
5. Exercise any and all rights and remedies under any Guaranty as provided in the Seller/Servicer's Master Agreement,
6. Indemnify Freddie Mac and hold it harmless for any loss, damage, or expense (including court costs, costs of investigation and reasonable attorney fees) that Freddie Mac may sustain which may arise in connection with the Delegated TAH Mortgage or related documents, or
7. Repurchase Freddie Mac's interest in the Delegated TAH Mortgage at any time



For any case or event stated in Section 47.2 related to any representation or warranty set forth in Section 5.13, Freddie Mac may require the Seller to repurchase the Delegated TAH Mortgage only if the event results in material detriment to Freddie Mac.

The remedies provided in the Guide will be cumulative. The decision whether and which remedy to require or exercise will be made by Freddie Mac. For purposes of this chapter, the term “interest in a Mortgage” will include an interest in the Real Estate Owned (REO) that previously secured a Delegated TAH Mortgage.

## **47.2 Grounds for requiring repurchase or indemnification (05/01/14)**

Freddie Mac may require repurchase or indemnification if the Seller or Servicer has done any of the following:

1. Not underwritten and/or documented a Mortgage in accordance with the requirements of the Purchase and Servicing Documents.
2. Not serviced a Mortgage in accordance with the requirements of the Purchase and Servicing Documents.
3. Breached any term of the Purchase and Servicing Documents.
4. Been unable to supply satisfactory evidence of compliance with the Purchase and Servicing Documents.
5. Made inaccurate warranties or representations under Chapter 5, as applicable, or in any Purchase and Servicing Document.
6. Breached any of the following representations and warranties, which breach results in Freddie Mac being required to repurchase the Mortgage under the applicable mortgage loan purchase agreement or the applicable pooling and servicing agreement, or under any other Purchase and Servicing Document:
  - For any Mortgage originated using Loan Documents with a revision date on or after March 1, 2014, the Seller/Servicer Representations and Warranties
  - For any CME Mortgage originated using Loan Documents with a revision date prior to March 1, 2014, the Seller’s Capital Markets Execution Representations and Warranties
7. Violated or failed to comply with any applicable law designed to protect the health and safety of the Property’s occupants (including failure to take any action available to the Seller or Servicer that would relieve the Mortgage holder from liability under such law or regulation).
8. Been involved in a conflict of interest as discussed in Section 36.18.
9. Failed to meet its obligations regarding the Freddie Mac Exclusionary List (see Section 2.18).
10. For Delegated TAH Mortgages, failed to pay a Loss Statement in accordance with the Seller/Servicer’s Delegated TAH Master Agreement.



11. For Delegated TAH Mortgages, filed a Bankruptcy Proceeding or failed to dismiss, within 90 days, an involuntary Bankruptcy proceeding brought against the Seller/Servicer by others.

If Freddie Mac reviews a Mortgage as described in Section 2.18 and subsequently elects to purchase the Mortgage, it will waive its right to seek repurchase of the Mortgage based on item 9 above. All other requirements of the Purchase and Servicing Documents relating to the sale of the Mortgage, however, will remain in full force and effect.

Subject only to the appeal provisions of Section 47.3, Freddie Mac's decision to require the Seller or Servicer to repurchase a Mortgage or indemnify Freddie Mac will be conclusive. The Seller or Servicer must repurchase Freddie Mac's interest in the identified Mortgage or indemnify Freddie Mac within 30 days of Freddie Mac's request. Failure to comply with Freddie Mac's repurchase or indemnification requirement may result in suspension or termination of selling and/or Servicing privileges or termination of Servicing. Suspension or termination will not limit Freddie Mac's right to take other action to enforce its rights or protect its interests.

### **47.3 Appealing a repurchase or indemnification request (04/30/19)**

If a Seller or a Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision, one appeal may be filed either by the Seller (if the liability for representations and warranties has been retained by the Seller) or by the Servicer.

The appeal process is as follows:

1. Within 30 days from the date of Freddie Mac's letter requiring repurchase or indemnification, the Seller or the Servicer may submit a written appeal. If no written appeal is received within the 30-day period, the procedures in this section will be unavailable to the Seller or the Servicer for that particular repurchase or indemnification request.
2. An appeal of a multifamily Mortgage repurchase or indemnification request must be sent to Freddie Mac, Director, *Multifamily Asset Management, Asset Performance and Compliance*.
3. The appeal package must contain:
  - A statement of all relevant facts concerning the underwriting and/or the Servicing of the Mortgage
  - An explanation of why these facts were not disclosed in the file during the origination of the Mortgage
  - A statement of why Freddie Mac's decision should be reversed
  - Supporting documentation, if any
4. Freddie Mac will review all appeals and advise the Seller or the Servicer in writing of the appeal decision.
5. If the appeal is denied, the Seller or the Servicer must complete the repurchase of the Mortgage or indemnification of Freddie Mac within 15 days from the date of Freddie Mac's denial letter.
6. Freddie Mac's decision on the appeal is conclusive.

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## **47.4 Repurchase price and other expenses (05/01/14)**

### **a. Repurchase price (05/01/14)**

The repurchase price will equal Freddie Mac's repurchase price prescribed in the mortgage loan purchase agreement or applicable pooling and servicing agreement for the Securitization into which the Mortgage was placed.

If not prescribed in the applicable mortgage loan purchase agreement or the applicable pooling and servicing agreement, the repurchase price is calculated as follows:

#### **1. For a Mortgage**

The amount of Freddie Mac's interest in the unpaid principal balance (UPB) of the Mortgage, plus accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before repurchase, plus any expenses reimbursed by Freddie Mac to the Servicer and any expenses incurred directly by Freddie Mac.

If the Servicer is obligated to advance installments not paid by the Borrower in a timely manner, Freddie Mac will credit against the repurchase price any such advances made by the Servicer.

#### **2. For an REO Property**

The amount of Freddie Mac's interest in the UPB of the Mortgage as of the acquisition date or the date of acceptance of a deed in lieu of foreclosure, plus accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before repurchase, plus any expenses reimbursed by Freddie Mac to the Servicer and any expenses incurred by Freddie Mac in marketing the REO, minus any sale proceeds, and other proceeds or refunds remitted to Freddie Mac by or on behalf of the Servicer.

Rental proceeds remitted or due to Freddie Mac must not be deducted from the repurchase price.

### **b. Other expenses (12/05/03)**

In the event of repurchase, the Seller/Servicer must pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of the Mortgage to the Seller/Servicer.

At Freddie Mac's discretion, the repurchase price will include an amount equal to any loss, damage or expense, including court costs, costs of investigation and reasonable attorney fees, incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller of Freddie Mac's interest in the Mortgage.

## **47.5 Repurchases requested by the Seller (10/07/02)**

In general, Freddie Mac does not permit the Seller/Servicer to repurchase a Mortgage voluntarily. Under exceptional circumstances, however, the Seller/Servicer may be allowed to do so. Freddie Mac will review individually each request to repurchase made by a Seller/Servicer. Each repurchase must



have Freddie Mac's prior written approval and be supported by appropriate documentation in the applicable Mortgage File.

#### **47.6 Reporting of repurchases (10/07/02)**

A repurchase is not completed until the Seller/Servicer has satisfied the remittance and reporting requirements of Chapters 53 and 54.

#### **47.7 Interest reimbursement fee (10/07/02)**

If the Seller/Servicer fails to remit repurchase proceeds within the time frame specified, Freddie Mac will charge the Seller/Servicer an interest reimbursement fee as provided in Section 53.11.

#### **47.8 Indemnification (05/01/14)**

Freddie Mac may require the Seller/Servicer to indemnify Freddie Mac and hold it harmless for any loss, damage or expense (including court costs, costs of investigation and reasonable attorney fees) that Freddie Mac may incur as a result of its purchase or ownership of a Mortgage. Freddie Mac will prepare an indemnification agreement setting forth the Seller/Servicer's indemnification obligations, which must be executed by the Seller/Servicer within 30 days following Freddie Mac's request.

Freddie Mac may, in its sole discretion, require the Seller/Servicer to secure its indemnification obligation by pledging certain collateral in an amount and in a manner acceptable to Freddie Mac. The indemnification agreement prepared by Freddie Mac and signed by the Seller/Servicer will:

- Prescribe the acceptable collateral
- Give Freddie Mac the power to determine the value of the collateral at any given time
- Permit Freddie Mac, if the value of the collateral falls below a specified level, to either
  - Require the Seller/Servicer to post additional collateral, or
  - Liquidate the existing collateral

If the Seller/Servicer fails to execute the required indemnification agreement within 30 days following Freddie Mac's request, the Seller/Servicer must repurchase the Mortgage for which Freddie Mac had required indemnification.

Any indemnification provided by the Seller/Servicer to Freddie Mac will not be deemed to run to the benefit of any other third parties in connection with any Securitization of a Mortgage.

#### **47.9 Survival of Freddie Mac's remedies; misrepresentations by the Seller or Servicer (10/07/02)**

Freddie Mac's decision to require or allow a repurchase in no way diminishes its right to pursue further action such as suspension or termination of Seller status or Servicing under the provisions of Chapter 4 and/or Chapter 48. Freddie Mac may also exercise these remedies when its inspection of the documentation of a voluntarily repurchased Mortgage reveals facts materially different from those for which Freddie Mac originally approved the repurchase.



#### **47.10 Waivers by Seller/Servicer (10/07/02)**

With respect to any Mortgage for which Freddie Mac has required a Seller/Servicer to repurchase Freddie Mac's interest in the Mortgage or indemnify Freddie Mac, the Seller/Servicer waives any right it may have to:

- Require Freddie Mac to mitigate damages, or
- Object to any of Freddie Mac's:
  - Loss mitigation efforts, or
  - Property management activities, or
  - REO disposition efforts

#### **47.11 Risk sharing for Delegated TAH Mortgages (08/30/13)**

The terms and conditions for risk sharing between the Seller/Servicer and Freddie Mac are memorialized in each Delegated TAH Master Agreement. Freddie Mac will manage loss mitigation activities while reporting the results of those efforts to the Seller/Servicer. The Seller/Servicer must continue to perform its customary Servicing responsibilities for any Delinquent Mortgages as outlined in Chapter 44.

Freddie Mac's and the Seller/Servicer's responsibilities are summarized below:

1. Freddie Mac will handle all loss mitigation and special Servicing for Delegated TAH Mortgages.
2. Each Delegated TAH Master Agreement will specify the Seller's share of Loss.
3. Freddie Mac will report to the Seller/Servicer periodically on the status of Freddie Mac's loss mitigation efforts and any amounts expended in that effort.
4. Freddie Mac expects that there will be ongoing dialogue between Freddie Mac and the Seller/Servicer concerning any loss mitigation efforts and that the Seller/Servicer will provide Servicing information and support as needed and requested by Freddie Mac.
5. Freddie Mac will prepare a Loss Statement detailing all costs incurred in resolving a default, including foreclosure and REO disposition or other loss mitigation strategy employed by Freddie Mac.
6. At the conclusion of the loss mitigation process, Freddie Mac will submit the Loss Statement to the Seller for reimbursement pursuant to the requirements of its Delegated TAH Master Agreement.

# Multifamily Seller/Servicer Guide

## Chapter 48

### Termination of Servicing



- 48.1 [Termination of Servicing \(12/05/03\)](#)
- 48.2 [Transfers and Servicing Compensation \(12/05/03\)](#)
- 48.3 [Documents and records \(12/05/03\)](#)
- 48.4 [Remittance to Freddie Mac \(10/31/12\)](#)
- 48.5 [Reimbursement \(10/07/02\)](#)



#### **48.1 Termination of Servicing (12/05/03)**

Freddie Mac may terminate Servicing by a Servicer with or without cause under the provisions of Chapter 4.

#### **48.2 Transfers and Servicing Compensation (12/05/03)**

If Freddie Mac terminates a Servicer and transfers the Servicing of any Mortgage, pursuant to the terms and conditions of the Purchase and Servicing Documents, the Servicing compensation (as stated in Sections 38.2 and 38.3) is paid to the new Servicer. If Freddie Mac has terminated the original Servicer with cause, or if the Servicer has not transferred the Servicing within the required period following notice of termination of Servicing without cause, Freddie Mac is entitled to any amount that may be paid by the new Servicer for the right to the Servicing compensation.

#### **48.3 Documents and records (12/05/03)**

Upon termination of the Servicing of any Mortgage, the Servicer is responsible for supplying all reports, documents and information requested by Freddie Mac on the date specified by Freddie Mac. The material, including an accounting of the current status of each Mortgage for which Servicing is being terminated, must be prepared in the form requested by Freddie Mac and delivered to the new Servicer designated or approved by Freddie Mac.

#### **48.4 Remittance to Freddie Mac (10/31/12)**

In addition to Freddie Mac's regular remittance requirements, the Servicer, in conjunction with the depository institution holding the P&I Custodial Accounts, must remit to Freddie Mac, on the date specified by Freddie Mac, the mortgage collections for each Mortgage for which Servicing is terminated. Additionally, on the date specified by Freddie Mac, the Servicer, in conjunction with the depository institution holding Reserve Custodial Accounts, must transfer as directed by Freddie Mac all Reserve Custodial Accounts and prepaid installments held by the Servicer for each Mortgage for which Servicing is being terminated. All subsequent funds and disbursement requests received by the Servicer related to the Freddie Mac portfolio must be transferred according to Freddie Mac's direction.

The Servicer must use its best efforts to effect the orderly and efficient Transfer of Servicing to the new Servicer.

#### **48.5 Reimbursement (10/07/02)**

If Servicing is terminated, the Servicer must reimburse Freddie Mac for any loss, damage or expense incident to the Transfer of Servicing. Such expenses include, but are not limited to, court costs, reasonable attorney fees, copying costs, costs of the physical transfer of files and the cost of an audit or examination of the Servicer's records, if Freddie Mac determines that such a procedure is appropriate.

# Multifamily Seller/Servicer Guide

## Chapter 49

Reserved



**Reserved for future use**

# Accounting and Reporting

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Chapters 50-54



# Multifamily Seller/Servicer Guide

## Chapter 50

### General Accounting and Reporting Requirements



- 50.1 [Servicer fiscal responsibilities \(10/31/12\)](#)
- 50.2 [Material Vendor and Servicing Agent requirements \(10/20/22\)](#)
  - a. [Permitted Material Vendor functions; contact with the Borrower \(10/20/22\)](#)
  - b. [Accounting, reporting and communication responsibilities for which use of a Material Vendor is prohibited \(10/20/22\)](#)
  - c. [Quality and controls \(10/20/22\)](#)
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  - f. [Confidentiality \(10/20/22\)](#)
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  - b. [Due dates for reporting for 55-Day Multi PC Securitized Mortgages via myOptigo \(09/14/23\)](#)
  - c. [Due dates for reporting for Tax-Exempt Bond Credit Enhancement Mortgages via myOptigo for Investor Reporting \(04/15/21\)](#)
  - d. [Due dates for reporting for ARMs that have not been securitized, are not Tax-Exempt Bond Credit Enhancement Mortgages and have been purchased on or after June 1, 2009 via myOptigo for Investor Reporting \(04/15/21\)](#)
  - e. [Due dates for reporting for all other Mortgages via myOptigo for Investor Reporting \(04/18/24\)](#)
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- 50.11 [Interest and Servicing compensation \(04/07/06\)](#)
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## 50.1 Servicer fiscal responsibilities (10/31/12)

The fiscal responsibilities of the Servicer include the following:

1. Accurate and timely accounting, reporting and remitting to Freddie Mac of the principal and interest portions of monthly installment payments, as well as any other sums paid by Borrowers that Freddie Mac may require to be remitted
2. Accurate and timely accounting for and administration of Reserves and Custodial Accounts
3. Preparing the Servicer's balance sheet and other financial statements in a manner that clearly reflects the sale of Mortgages to Freddie Mac as a sale of assets. (This is required in addition to the file identification and marking of accounting records required elsewhere in the Guide.)
4. Maintaining accounting records that agree with and/or reconcile to reports provided to Freddie Mac
5. Maintaining, at all times, minimum net worth in accordance with the requirements of Chapter 3

## 50.2 Material Vendor and Servicing Agent requirements (10/20/22)

### a. Permitted Material Vendor functions; contact with the Borrower (10/20/22)

Freddie Mac will permit the Servicer to use a Material Vendor for certain low risk accounting and reporting functions that the Servicer deems necessary and appropriate to manage the Servicer's accounting and reporting responsibilities without prior Freddie Mac approval, but subject to the notification requirements set forth in Section 3.9. Delegation of functions beyond this scope is considered to be subservicing (see Section 50.2(b) below) and requires Freddie Mac approval in accordance with Section 3.8(a). Additionally, the subservicer/Servicing Agent chosen by the Servicer must have received Freddie Mac approval to service the requested collateral type prior to contracting with the Servicer (e.g., a Servicing Agent must be approved to service an SBL Mortgage prior to providing any Servicing function on an SBL Mortgage on behalf of a Servicer).

As examples of such functions, Freddie Mac will permit the Servicer to use a Material Vendor for accounting and reporting responsibilities such as providing administrative services, investor reporting and cash management. Visit the Material Vendor [web page](#) for more information regarding Material Vendors and examples of ongoing loan activities that do not require further approval.

The Servicer must ensure that each Material Vendor accounting and reporting responsibility meets the quality standards set forth in Section 50.2(c).

Material Vendor contact with the Borrower is allowed only for administrative functions without pre-approval. The Material Vendor may send a letter to a Borrower only if authorized to do so by the Servicer and if such correspondence is on the Servicer's letterhead.

The Servicer must ensure that the Material Vendor accounting and reporting function meets the quality standards set forth in Section 50.2(c).



**b. Accounting, reporting and communication responsibilities for which use of a Material Vendor is prohibited (10/20/22)**

Freddie Mac requires that members of a Servicer's staff perform the most high-level accounting and reporting responsibilities. As a result, the Servicer may not use a Material Vendor to:

1. Review Borrower or Guarantor financial information or any protected personal information
2. Manage the Borrower relationship, including all communications with the Borrower, unless permitted otherwise by Section 50.2(a)
3. Communicate with Freddie Mac on behalf of the Servicer
4. Perform any services or functions that require or are likely to result in the Material Vendor receiving, using, handling, or otherwise having access to any financial or personal information pertaining to any Borrower, Guarantor, or other individual, even if such services or functions are described as eligible for using a Material Vendor in Section 50.2(a)

Upon Freddie Mac approval, a Servicer may delegate any of the above functions to a Servicing Agent.

**c. Quality and controls (10/20/22)**

The Servicer must ensure that any accounting and reporting responsibility is completed in accordance with the Guide and with high quality standards.

1. A Servicer that uses a Material Vendor or Servicing Agent domiciled in, or that provides services to the Servicer from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to a Material Vendor or Servicing Agent domiciled in and providing services to the Servicer from a State.
2. The Servicer must maintain thorough and accurate information and records regarding each Material Vendor and Servicing Agent accounting and reporting responsibility and ensure that the Material Vendor or Servicing Agent has appropriate controls in place to fulfill its responsibilities.
3. Notwithstanding the use of a Material Vendor or Servicing Agent, the Servicer must be knowledgeable about the Mortgage and able to provide accurate and thorough recommendations on all accounting or reporting issues when a Material Vendor or Servicing Agent is used. The Servicer will remain liable to Freddie Mac for all obligations for which it has engaged a Material Vendor or Servicing Agent.
4. The Servicer must have detailed, well-controlled procedures and training for all functions managed by a Material Vendor or Servicing Agent.
5. As part of Freddie Mac's Seller/Servicer audit, the Servicer must be able to:
  - Provide documentation evidencing adequate controls that ensure a high-quality work product



- Provide documentation evidencing procedures and training for all functions outsourced or assigned to a Material Vendor or Servicing Agent
- Have available, either electronically or otherwise, access to underlying Material Vendor or Servicing Agent information and work product

The Servicer may lose the ability to use a Material Vendor or Servicing Agent for accounting and reporting responsibilities if Freddie Mac, in its sole discretion, determines that the Servicer's or Material Vendor's or Servicing Agent's controls are inadequate or if Freddie Mac, in its sole discretion, determines that the quality of the Material Vendor's or Servicing Agent's work is unsatisfactory.

**d. Notifying Freddie Mac of a Material Vendor or Servicing Agent (10/20/22)**

Within 10 Business Days of the date of onboarding of a Material Vendor, the Servicer must notify Freddie Mac in accordance with the requirements in Section 3.9.

At least 60 days before contracting with a Servicing Agent, the Servicer must request Freddie Mac's prior written approval and notify Freddie Mac in accordance with the requirements in Section 3.8(a).

**e. Right to restrict use of a Material Vendor or Servicing Agent and to limit or prohibit use (10/20/22)**

Freddie Mac reserves the right to:

- Restrict the use of Material Vendors or Servicing Agents for a specific accounting or reporting responsibility or Property
- Prohibit the use of a particular Material Vendor or Servicing Agent for Servicing responsibilities
- Limit or prohibit a Servicer from using a Material Vendor or Servicing Agent for accounting or reporting responsibilities

**f. Confidentiality (10/20/22)**

The Servicer must ensure that each Material Vendor or Servicing Agent used for Servicing responsibilities complies with the privacy and confidentiality provisions set forth in the Guide (including Section 36.15) and maintains appropriate training and controls to fulfill its privacy and confidentiality responsibilities. The Servicer will be liable to Freddie Mac for the failure of any Material Vendor or Servicing Agent to comply with these provisions.

### **50.3 Mortgage accounting records (10/31/12)**

**a. Permanent records (12/07/05)**

The Servicer must maintain permanent Mortgage accounting records for each Mortgage sold to Freddie Mac. The records must indicate Freddie Mac's percentage of participation in each Mortgage and must contain the complete Freddie Mac nine-digit loan number assigned to the Mortgage.

**b. Accounting system (10/31/12)**

The Servicer's Mortgage accounting system must be able to produce an account transcript for each Mortgage, itemizing the following in chronological order:

- The date, amount and breakdown of principal and interest of each payment
- The date to which interest is paid
- The date, amount and nature of each disbursement, advance, adjustment or other transaction affecting the amounts due from or to the Borrower

The system must also be capable of providing the following with respect to any Mortgage:

- The current outstanding principal balance
- The current balance of each Reserve
- Any insufficiency in any Reserve balance

**c. Accounting principles (12/07/05)**

The Servicer must maintain the accounts and records for Freddie Mac-owned Mortgages according to sound and generally accepted accounting principles in a manner that permits Freddie Mac's representatives or designees to examine and audit these accounts and records at any time.

**50.4 Release or destruction of records (12/07/05)**

Without Freddie Mac's prior written approval, the Servicer must not surrender or destroy any canceled checks, bank statements or other records and accounts for any Mortgage serviced for Freddie Mac, including any Mortgage paid in full, sold, foreclosed or otherwise liquidated. However, when permitted by applicable law, the Servicer may destroy any original records, including mortgage ledger cards:

- Three years after the date a Mortgage is fully paid, or
- If the Mortgage is accelerated, six years after the date it is fully paid

**50.5 Freddie Mac Custodial Accounts (10/31/12)**

The Servicer must establish and maintain Custodial Accounts and safeguard funds held for or owed to Freddie Mac in accordance with the requirements of Chapter 52.

**50.6 Interest on Custodial Accounts (10/31/12)**

If the Servicer either has entered into an agreement to or is required by law to pay interest on Custodial Accounts or Reserves, the Servicer is solely and fully responsible for this payment. The Servicer may not include the accounting related to the payment of this interest with the regular Mortgage accounting for principal and interest.



## 50.7 Summary of remittance requirements and transfer method (10/19/23)

The timing for remittance differs depending upon whether the Mortgage is a Gold PC® Securitized Mortgage, 55-Day Multi PC Securitized Mortgage, Tax Exempt Bond Credit Enhancement Mortgage or other Mortgage.

The Servicer must remit the following Mortgage collections and fees to Freddie Mac via Freddie Mac's myOptigo® Servicer Remittance system (see Section 53.7):

1. Monthly principal and interest collections
2. Curtailments, including any applicable prepayment premiums
3. Proceeds from Mortgages paid in full including any applicable prepayment premium
4. Tax Exempt Bond Credit Enhancement fees
5. Default interest
6. Late fees
7. Interest reimbursement fees and noncompliance fees assessed by Freddie Mac

The Servicer must remit proceeds of miscellaneous transactions not included above by wire transfer to *Multifamily Cash Management*.

The Servicer must remit proceeds of multifamily Real Estate Owned (REO) sales and miscellaneous transactions not included above in accordance with Section 53.9.

Freddie Mac will use effective date of receipt to determine if the remittance has been made in compliance with the interim and monthly remittance requirements as set forth in Sections 53.9 and 53.10, respectively.

Failure of the Servicer to comply with the remittance and transfer requirements may result in an interest reimbursement fee as set forth in Section 53.11.

## 50.8 Definitions for accounting and reporting (02/14/22)

As used in this chapter, these terms are defined as follows:

1. **Accounting cutoff date.** The close of business on the 15th of a month. (If the 15th is not a Business Day, the accounting cutoff date is the close of business on the Business Day preceding the 15th of the month.)
2. **Accounting cycle.** The 16th of one month through the 15th of the following month.
3. **Exception activity.** Activity resulting in the unpaid principal balance (UPB) of a Mortgage being reduced to zero.

The following transactions are exception activities:





- Mortgages paid in full or repurchased (Sections 54.3 and 54.4)
- Mortgages liquidated by third-party foreclosure sale (Section 54.5)
- Mortgages transferred to REO (Section 54.6)
- Mortgages sold into a Securitization

#### 4. Loan-level reporting information

Information about loan activity and status of a Mortgage reported on an individual loan basis.

#### 5. 55-Day Multi PC determination date

*55 Day Multi PC replaces traditional “Accounting Cutoff” language with the introduction of the “Determination Date”.* For each month, the close of business on the date indicated on the yearly [Due Date Calendar for Monthly Reporting and Remitting](#).

#### 6. 55-Day Multi PC interest accrual period

The calendar month preceding the 55-Day Multi PC determination date.

### 50.9 Monthly reporting and exception activity (04/15/21)

Every month, each Servicer must report to Freddie Mac, via myOptigo<sup>SM</sup> for Investor Reporting, all transactions affecting the Mortgages serviced (see Section 50.9(b)). The monthly automated reports must include all loans with an unpaid principal balance as of the beginning of that accounting cycle.

The entries that a Servicer must transmit include monthly principal reductions, net yield interest and unscheduled principal reductions since the previous month's accounting cutoff date. Freddie Mac relies on the Servicer's accuracy in reporting principal reductions to determine the amounts Freddie Mac will pay to its security investors and report to its stockholders.

If an exception activity occurs with respect to a Mortgage serviced, then the exception activity must be reported via myOptigo for Investor Reporting.

#### a. Report due dates (12/07/05)

See Section 50.10 for information on due dates for loan-level transactions.

#### b. Reporting requirements for myOptigo for Investor Reporting (04/15/21)

Automated transmission of accounting transactions via myOptigo for Investor Reporting is mandatory for all Freddie Mac Multifamily Mortgages. Transmissions must be usable, accurate and timely. Failure to comply with these requirements will result in the assessment of the accounting reporting noncompliance fees set forth in Section 54.9. For further information on reporting requirements for myOptigo for Investor Reporting, contact Freddie Mac *Multifamily Loan Accounting*.



### c. Back-up reporting requirements (04/15/21)

If Freddie Mac *Multifamily Loan Accounting* notifies a Servicer that a myOptigo transmission is unacceptable, the Servicer must provide Freddie Mac with a corrected transmission via myOptigo for Investor Reporting within 24 hours. Failure to transmit timely and accurate corrected automated accounting reports may subject the Servicer to the accounting reporting noncompliance fees set forth in Section 54.9.

### d. Accounting reporting corrections (04/15/21)

If a Servicer discovers an error after transmitting accounting reporting information via myOptigo for Investor Reporting, the Servicer must call Freddie Mac *Multifamily Loan Accounting* to report the error. The Freddie Mac accounting representative will unlock the record, allowing the Servicer to enter the correct information.

## 50.10 Accounting reporting due dates (04/18/24)

### a. Due dates for reporting for Gold PC Securitized Mortgages via myOptigo for Investor Reporting (09/14/23)

Freddie Mac accounting reports must reach Freddie Mac *Multifamily Loan Accounting*, or such other department as Freddie Mac may designate, according to the schedule below:

<b>For each Mortgage without exception activity, accounting reports are due:</b>
Three Business Days after the accounting cutoff date
<b>For each Mortgage paid in full, accounting reports are due:</b>
By the <b>earlier</b> of: <ul style="list-style-type: none"> <li>Two Business Days after the payoff; or</li> <li>The last Business Day of the month in which the payoff</li> </ul>
<b>For each Mortgage sold into a securitization (CME sale), accounting reports are due:</b>
<ul style="list-style-type: none"> <li>The same Business Day that the securitization (CME sale) occurred</li> </ul>
<b>For each Mortgage liquidated by a third-party foreclosure sale, short payoff or transfer to REO, accounting reports are due:</b>
By the <b>earlier</b> of: <ul style="list-style-type: none"> <li>Three Business Days after receipt of third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO; or</li> <li>The last Business Day of the month in which third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO were received</li> </ul>



**b. Due dates for reporting for 55-Day Multi PC Securitized Mortgages via myOptigo (09/14/23)**

Freddie Mac accounting reports must reach Freddie Mac *Multifamily Loan Accounting*, or such other department as Freddie Mac may designate, according to the schedule below:

<b>For each Mortgage without exception activity, accounting reports are due:</b>
One Business Day after the 55-Day Multi PC determination date
<b>For each Mortgage paid in full, accounting reports are due:</b>
By the <b>earlier</b> of: <ul style="list-style-type: none"> <li>• Two Business Days after the payoff; or</li> <li>• The last Business Day of the month in which the payoff</li> </ul>
<b>For each Mortgage sold into a securitization (CME sale), accounting reports are due:</b>
<ul style="list-style-type: none"> <li>• The same Business Day that the securitization (CME sale) occurred</li> </ul>
<b>For each Mortgage liquidated by a third-party foreclosure sale, short payoff or transfer to REO, accounting reports are due:</b>
By the <b>earlier</b> of: <ul style="list-style-type: none"> <li>• Five Business Days after receipt of third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO; or</li> <li>• The last Business Day of the month in which third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO were received</li> </ul>

**c. Due dates for reporting for Tax-Exempt Bond Credit Enhancement Mortgages via myOptigo for Investor Reporting (04/15/21)**

Loan-level reporting information for each Mortgage must conform to the requirements set forth in the Commitment.

**d. Due dates for reporting for ARMs that have not been securitized, are not Tax-Exempt Bond Credit Enhancement Mortgages and have been purchased on or after June 1, 2009 via myOptigo for Investor Reporting (04/15/21)**

Loan-level reporting information for each Mortgage for which exception activity did not occur must reach Freddie Mac *Multifamily Loan Accounting*, or such other department as Freddie Mac may designate, by the third Business Day following the 15th of the month.

**e. Due dates for reporting for all other Mortgages via myOptigo for Investor Reporting (04/18/24)**

Freddie Mac accounting reports must reach Freddie Mac *Multifamily Loan Accounting*, or such other department as Freddie Mac may designate, according to the schedule below:

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<b>For each Mortgage without exception activity, accounting reports are due:</b>
Five Business Days after the accounting cutoff date
<b>For each Mortgage paid in full, accounting reports are due:</b>
<p>By the <b>earlier</b> of:</p> <ul style="list-style-type: none"> <li>• Two Business Days after the payoff occurred; or</li> <li>• The last Business Day of the month in which the payoff occurred</li> </ul> <p>Reports for payoffs that occur on the last Business Day of the month are due the same Business Day.</p>
<b>For each Mortgage sold into a securitization (CME sale), accounting reports are due:</b>
<ul style="list-style-type: none"> <li>• The same Business Day that the securitization (CME sale) occurred</li> </ul>
<b>For each Mortgage liquidated by a third-party foreclosure sale, short payoff or transfer to REO, accounting reports are due:</b>
<p>By the <b>earlier</b> of:</p> <ul style="list-style-type: none"> <li>• Five Business Days after receipt of third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO; or</li> <li>• The last Business Day of the month in which third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO were received</li> </ul>

#### f. Newly purchased Mortgages (12/07/05)

For a newly purchased Mortgage, the Servicer must report transactions for the Mortgage for the first time according to Section 54.1.

### 50.11 Interest and Servicing compensation (04/07/06)

When Freddie Mac purchases a Mortgage, it computes interest at the Accounting Net Yield on the total outstanding principal. Freddie Mac pays that interest to the Seller from the first of the month through the day before the Freddie Mac Funding Date.

When computing the Accounting Net Yield, Freddie Mac takes into consideration a minimum Servicing compensation. Usually, the Accounting Net Yield equals the Required Net Yield, which is the Coupon Rate less the Servicing Spread. If the Coupon Rate of a Mortgage, less the Servicing Spread, is greater than Freddie Mac's Required Net Yield, the Servicer must refer to the Purchase and Servicing Documents to determine whether the Servicer may retain the interest received in excess of the Freddie Mac Required Net Yield as additional Servicing compensation.



Freddie Mac's Accounting Net Yield for ARMs will vary as the interest rate varies. Freddie Mac's Accounting Net Yield for ARMs will be the index rate applicable to such month plus the Freddie Mac required net spread.

## **50.12 Method of accounting for Freddie Mac yield (10/20/22)**

For each Mortgage, Freddie Mac designates one of three methods for calculating monthly interest and principal to be reported to Freddie Mac.

### **1. Alternate method (Actual/Actual)**

Under the alternate method, the Servicer must report Freddie Mac's proportionate share of all interest and principal actually received. Freddie Mac requires the use of the alternate method for Mortgages purchased under the Multifamily Conventional Cash Mortgage Purchase Program, Mortgages for which securitization is scheduled but has not occurred, as well as for certain designated Mortgages purchased under the Multifamily Negotiated Transactions Program.

### **2. Net yield method (Scheduled/Actual)**

Under the net yield method, the Servicer must compute the monthly interest by applying the Accounting Net Yield rate to the beginning principal balance, using a 30-day month and a 360-day year, regardless of the amount collected from the Borrower. The Servicer must report the interest computed and the principal actually received for each monthly reporting period.

### **3. Scheduled/Scheduled method**

Under the scheduled/scheduled method, the Servicer reports to Freddie Mac both principal and interest payments calculated on a scheduled amortized balance, regardless of actual collections. The Servicer must use the scheduled/scheduled method for certain designated Mortgages purchased under the Multifamily Negotiated Transactions Program.

## **50.13 Certification and financial reporting requirements (05/11/10)**

Sections 3.5 and 3.6 set forth the requirements for submitting the following:

- [Form 16M, Multifamily Annual Certification Report](#),
- [Form 17M, Multifamily Annual Certification Report – Structured Transactions and Tax-Exempt Bond Seller/Servicers](#), and
- [Form 1055, Mortgage Bankers Financial Reporting Form](#)

## **50.14 Audit confirmation requests (12/07/05)**

Sellers or Servicers requiring audit confirmation from Freddie Mac with respect to the Mortgages sold to and serviced for Freddie Mac must use the format and address provided in [Exhibit 8](#).

**50.15 Accounting for Servicer's compensation (12/07/05)**

The compensation earned by the Servicer for the performance of its duties is based on the outstanding principal balance and the interest collected from Mortgages. The Servicer earns compensation when it collects interest on Mortgages. See Section 50.11 for details regarding the computation of compensation for each of the various Freddie Mac programs and products.

**50.16 Transfer of Servicing (12/07/05)**

The Servicer must not transfer its Servicing portfolio (in whole or in part) without Freddie Mac's prior written approval. Chapter 42 describes the conditions under which a Transfer of Servicing may take place.

**50.17 Reconciliation responsibilities (04/15/21)**

Each month, the Servicer must report via myOptigo for Investor Reporting each Mortgage serviced for Freddie Mac. The data reported must reflect accurately the activity applied to each Mortgage. The Servicer must report each Mortgage regardless of whether there was any activity on that Mortgage during the accounting cycle. The Servicer must take action to identify and reconcile discrepancies that result in transaction errors no later than the next accounting cutoff date. The Servicer must notify Freddie Mac immediately of any reporting errors that appear to be caused by incorrect information on Freddie Mac's system (see Section 54.10).

# Multifamily Seller/Servicer Guide

## Chapter 51 Prepayments



### 51.1 [Prepayments \(10/20/22\)](#)

- a. [Review of prepayment provision \(04/30/15\)](#)
- b. [Delegation of determination of the prepayment amounts and notice to Borrower \(10/20/22\)](#)
- c. [Notice to Freddie Mac of the request for prepayment \(04/30/15\)](#)
- d. [Freddie Mac review \(04/30/15\)](#)
- e. [Assignment of Mortgage in lieu of prepayment in full \(04/30/15\)](#)
- f. [Attempts to avoid restrictions \(09/28/12\)](#)
- g. [Liability of Servicer \(12/05/03\)](#)
- h. [Short payoffs \(04/15/21\)](#)
- i. [Requests for Freddie Mac execution of documents \(04/30/15\)](#)
- j. [Documentation delivered after payment-in-full \(04/30/15\)](#)





## 51.1 Prepayments (10/20/22)

### a. Review of prepayment provision (04/30/15)

The Servicer is responsible for the initial review of a Borrower's request to prepay a Mortgage in whole or in part. Before responding to any inquiry regarding the prepayment of a Mortgage serviced for Freddie Mac, the Servicer must carefully review the terms of the Note to determine any prepayment restrictions and the amount of any prepayment premium to be collected if prepayment is permitted. For example, a Plan B Mortgage may not be prepaid in whole or in part unless the prepayment is made after the permitted prepayment date specified in the Note.

A Servicer may accept a prepayment of principal in whole or in part only if the prepayment is made in accordance with the terms of the Note. The Servicer may not waive any restrictions on prepayment.

### b. Delegation of determination of the prepayment amounts and notice to Borrower (10/20/22)

In connection with a full prepayment of a Mortgage, Freddie Mac delegates to the Servicer the authority to determine the prepayment amount, including calculating the amount of any prepayment premium, and to inform the Borrower of the total prepayment amount, if the Mortgage meets the following conditions:

- The Mortgage is owned by Freddie Mac
- The Mortgage has a prepayment premium that is calculated as a percentage of the unpaid principal balance of the Mortgage
- The Mortgage is current, with no pending workouts, delinquencies or events of default under the terms of the Loan Documents
- The Mortgage is not being refinanced with a new loan which Freddie Mac has committed to purchase
- There are no pending asset management transactions or waiver requests with respect to the Mortgage

The Servicer must advise Freddie Mac of the amount of the delegated prepayment calculations by email to [Mfopsloanacctpayoffs@freddiemac.com](mailto:Mfopsloanacctpayoffs@freddiemac.com) within two Business Days after the Servicer provides the quoted prepayment calculations to the Borrower or the Borrower's agent. The email must include a copy of the payoff statement/quote and the borrower's request for the payoff quote.

Freddie Mac will confirm all delegated prepayment calculations following the payoff of the Mortgage and will advise the Servicer of any shortfall or overpayment.

- The Servicer must remit the amount of any shortfall to Freddie Mac within 10 days following Freddie Mac's notice of shortfall to the Servicer. If the Servicer does not satisfy the shortfall within 10 days, Freddie Mac will charge penalties and/or interest and/or



revoke this delegation for future payoffs.

- If Freddie Mac determines that it has received an overpayment, Freddie Mac will return the amount of the overpayment to the Servicer for reimbursement to the Borrower.

Freddie Mac may revoke the delegation to calculate the prepayment amount and the prepayment premium amount at any time by written notice to the Servicer.

**c. Notice to Freddie Mac of the request for prepayment (04/30/15)**

If the delegation provided in Section 51.1(b) does not apply, then before a Servicer quotes a partial or full prepayment amount or any prepayment premium, the Servicer must notify Freddie Mac *Multifamily Loan Accounting* as described in this section. Within five Business Days after the Servicer's receipt of the Borrower's notice of intent to prepay the Mortgage in whole or in part, the Servicer must request Freddie Mac's approval of the prepayment and confirmation of the Servicer's calculation of any applicable prepayment premium by electronically delivering to Freddie Mac the completed [Loan Payoff Notice](http://mf.freddiemac.com/lenders/reporting), available at [mf.freddiemac.com/lenders/reporting](http://mf.freddiemac.com/lenders/reporting), together with all accompanying documentation specified in the Loan Payoff Notice instructions.

Multifamily Loan Accounting will confirm receipt of the loan payoff notification package via email to the Servicer within one Business Day following receipt.

**d. Freddie Mac review (04/30/15)**

Freddie Mac will review the Loan Payoff Notice and will notify the Servicer via email of the results of the review. If Freddie Mac does not agree with the Servicer's conclusions, then Freddie Mac will provide the correct information, which the Servicer must then provide to the Borrower.

If Freddie Mac concurs with the Servicer's calculations, then the Freddie Mac response will:

- Confirm the prepayment premium percentage
- Verify the prepayment premium calculation
- Calculate the amount of the Yield Maintenance Prepayment Premium that Freddie Mac will pay the Servicer, if applicable
- Advise the Servicer of any current outstanding amounts due to Freddie Mac for legal fees or advances on the loan

**e. Assignment of Mortgage in lieu of prepayment in full (04/30/15)**

If the Property is located in a State in which it is the practice to assign an existing Mortgage rather than prepay in full and discharge the Mortgage, Freddie Mac will assign its interest in the Mortgage under the following terms:

1. The Servicer must provide the notice and information required by Section 51.1(c). In addition, the Servicer must provide:



- Name and contact information for law firm handling the assignment
  - New assignee name and address
2. The law firm preparing the assignment will send the Servicer its current form of Assignment of Mortgage that will assign the Mortgage without recourse to Freddie Mac. The Servicer is responsible for ensuring the legal sufficiency of the assignment form.
  3. At least five Business Days before the proposed date of the assignment of the Mortgage, the Servicer must forward to Freddie Mac *Multifamily Loan Accounting* the proposed original assignment documents (Assignment of Mortgage, Cancellation of Leases or Rents) for signature by Freddie Mac. Freddie Mac will execute and return the assignment as directed in writing by the Servicer.

**f. Attempts to avoid restrictions (09/28/12)**

The Servicer must identify attempts by Borrowers to avoid the prepayment restrictions. These attempts at avoidance may be disguised as defaults and may follow an unsuccessful attempt by a Borrower to tender a prohibited prepayment. The Servicer must advise Borrowers who seek to avoid prepayment restrictions or prepayment premiums that Freddie Mac will vigorously exercise its legal and equitable rights and remedies under the Loan Documents and any applicable federal or State law.

**g. Liability of Servicer (12/05/03)**

Each Servicer is responsible for the review of prepayment requests from Borrowers, the calculation of prepayment premiums, the determination of any restrictions on prepayments and the calculation of the payoff amount.

Each Servicer is responsible for quoting prepayment amounts to Borrowers or their agents and is liable to Freddie Mac for any errors in the amount of any payoff.

Any Servicer that fails to enforce any prepayment restriction or to collect prepayment premiums on any Multifamily Mortgage serviced for Freddie Mac may be subject to sanctions, such as suspension, termination of Servicing, penalties and legal action by Freddie Mac for specific performance, damages or other actions.

**h. Short payoffs (04/15/21)**

If the Servicer receives a proposal from the Borrower to prepay less than the total UPB of a Mortgage, accrued interest and prepayment premium, the Servicer should immediately refer the request to Freddie Mac at [MF\\_Borrower\\_Transactions@freddiemac.com](mailto:MF_Borrower_Transactions@freddiemac.com).

**i. Requests for Freddie Mac execution of documents (04/30/15)**

See Section 43.17(c).

**j. Documentation delivered after payment-in-full (04/30/15)**

See Section 43.17(d).

# Multifamily Seller/Servicer Guide

## Chapter 52

### Custodial Accounts



- 52.1 [Freddie Mac Custodial Accounts \(05/01/14\)](#)
- 52.2 [Definitions used in this chapter \(09/14/23\)](#)
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- 52.7 [Deposits to Custodial Accounts \(09/14/23\)](#)
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- 52.12 [Liability for transfers \(05/01/14\)](#)
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## 52.1 Freddie Mac Custodial Accounts (05/01/14)

The Servicer must establish and maintain all Custodial Accounts required by the Loan Documents and the Purchase and Servicing Documents and safeguard those accounts and any funds held for or owed to Freddie Mac. The Servicer is liable to Freddie Mac for any and all loss of funds deposited in Custodial Accounts, and for damages Freddie Mac suffers due to delays in obtaining custodial funds, regardless of whether the Servicer complied with the requirements of the Purchase and Servicing Documents.

The types of Custodial Accounts are:

- Principal and interest Custodial Accounts
- Reserve Custodial Accounts
- Disbursement clearing Custodial Accounts

## 52.2 Definitions used in this chapter (09/14/23)

As used in this chapter, these terms are defined as follows:

1. **Collection clearing account.** Unless notified otherwise by Freddie Mac, an account at an eligible depository that is used by the Servicer to collect all amounts due from Borrowers before the Servicer transfers such funds to the required Custodial Accounts in accordance with Section 52.7. The collection clearing account must be titled to reflect that it is for the benefit of investors and supported by adequate records identifying all credits to, and charges from, the Borrower's payment records, the collection clearing account, and Custodial Accounts.
2. **Demand deposit.** A deposit account from which funds may be withdrawn by the Servicer/depositor immediately and without any advance notice of intended withdrawal or any restrictions on the frequency of withdrawals
3. **Disbursement clearing Custodial Account.** A Custodial Account established by a Servicer, at its option, into which the Servicer deposits principal and interest payments immediately before remitting them to Freddie Mac
4. **Eligible depository.** A depository institution (including the Servicer itself) in which a Servicer may establish a Custodial Account or invest monies deposited into a Custodial Account

An eligible depository may be any one of the following:

- A Federal Reserve Bank
  - A Federal Home Loan Bank, or
  - A Federal Deposit Insurance Corporation (FDIC)-insured depository institution that meets the rating requirements in Section 52.2(a).
5. **Interest-bearing deposit account.** A deposit account such as a money market demand account or savings account from which funds may be withdrawn by the Servicer/depositor.

If the number of withdrawals is limited, the Servicer is responsible for any payments that result from excess withdrawals. The Servicer is also responsible for any losses, damages or withdrawal penalties.

- 6. **Mutual Fund Service Agent.** This option is only available for Cap Fee Reserve Funds or Principal Reserve Funds on TAH Bond Credit Enhanced Mortgages. Minimum Rating requirements for this type of Custodial Account are established at the fund level. See Section 28.18(b) or the loan-level Reserve Agreement for specific rating requirements.
- 7. **Time deposit.** Funds deposited under an agreement, bearing interest from the date of deposit through a fixed maturity date, upon which maturity date full payment of principal will be made.

a. Minimum rating requirements for an eligible depository (04/27/18)

An FDIC-insured depository institution must satisfy at all times the minimum rating requirements of at least two of the rating services identified below for (i) long-term senior unsecured debt obligation ratings or long-term deposit ratings and (ii) short-term unsecured debt obligation ratings or short-term deposit ratings to be considered an eligible depository.

MINIMUM RATING REQUIREMENTS		
Rating Agency	Long-term Senior Unsecured Debt Obligations or Long-term Deposit Ratings	Short-term Unsecured Debt Obligations or Short-term Deposit Ratings
Standard & Poor’s Ratings	A	A-1
Moody’s Investor’s Service	A2	P-1
Fitch Ratings	A	F1

A depository institution that is a subsidiary of a holding company or an affiliate of another depository may, on a case-by-case basis, have its eligibility rating affected by the rating of its holding company or affiliate. FDIC regulations may require related depository institutions to guarantee the obligations of the troubled depository institutions. As a result, the related depository institution may be subject to a risk of regulatory action even if it meets Freddie Mac’s minimum rating requirements and Freddie Mac may deem it to be ineligible. The Servicer should consider this when selecting or monitoring a depository.

b. Reserved

52.3 Principal and interest Custodial Accounts (09/14/23)

A Servicer must establish, and maintain at all times, a principal and interest Custodial Account in a demand deposit account or interest-bearing deposit account at an eligible depository, as



described in Section 52.2, separate from any Reserve Custodial Account, and separate from any collection clearing account. If the Servicer itself is an eligible depository, the Servicer may establish and maintain an in-house principal and interest Custodial Account. The Servicer may record the initial deposit of the funds in a collection clearing account, provided that the collection clearing account is not used as a substitute for the principal and interest Custodial Account.

The Servicer may deposit monies from a principal and interest Custodial Account in a time deposit account, provided the account meets the requirements set forth in Section 52.8.

The Servicer must deposit the following monies in a principal and interest Custodial Account:

- Principal and interest payments, including:
  - All Mortgage principal and interest remitted by a Borrower to a Servicer
  - All Mortgage collections specified in Section 50.7
  - All guarantee fees
  - All monies owed on account of Mortgage repurchases reported in accordance with the provisions of Section 54.4
- Fees that a Servicer is required to remit to Freddie Mac and that the Servicer remits via Freddie Mac's myOptigo® Servicer Remittance system (see Section 50.7 for the list of fees)
- Funds received on a Freddie Mac-owned loan and credited to a suspense account (see Section 53.3)

In establishing a principal and interest Custodial Account, the Servicer must use the Freddie Mac Seller/Servicer number that it used in connection with its agreement to service the Mortgage relating to that account. The agreement to service any particular Mortgage is found in the Letter of Commitment for that Mortgage.

A principal and interest Custodial Account must be designated exactly as shown in one of the following:

- (Name of Depositor/Servicer), as custodian and/or bailee for Freddie Mac and/or various owners of interests in Mortgages and/or mortgage-related securities and/or various mortgagors, or
- "Freddie Mac P & I Custodial Account." However, if the Servicer uses the abbreviated designation, then for all purposes of the Purchase and Servicing Documents and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages and/or Mortgage-related securities and/or mortgagors, the abbreviated account designation will be deemed to be the same as the unabbreviated account designation and will be deemed to confer upon Freddie Mac and those persons the same rights and interests with respect to the principal and interest Custodial Account and the funds deposited or held in the account.





## 52.4 Reserve Custodial Accounts (09/14/23)

A Servicer must establish, and maintain at all times, one or more Reserve Custodial Accounts, separate from any principal and interest Custodial Account, and separate from any collection clearing account, at an eligible depository, as described in Section 52.2.

If the Servicer itself is an eligible depository, the Servicer may establish and maintain the Reserve Custodial Accounts in-house. The Servicer may record the initial deposit of the funds in a collection clearing account, provided that the collection clearing account is not used as a substitute for the Reserve Custodial Accounts.

In establishing the Reserve Custodial Accounts, the Servicer must use the Freddie Mac Seller/Servicer number that it used in connection with its agreement to service the Mortgage relating to that account. The agreement to service any particular Mortgage is found in the Letter of Commitment for that Mortgage.

The Reserve Custodial Accounts must each be titled exactly in the following manner:

(Name of Depositor/Servicer), as trustee for Freddie Mac

The Servicer must deposit the following monies in the applicable Reserve Custodial Account:

- Reserve funds remitted to the Servicer by a Borrower
- Deficient payments credited to a Borrower's Reserve balance (see Section 53.3)

The Seller/Servicer must ensure that it establishes an appropriate number of Reserve Custodial accounts to:

- Meet the requirements of the Guide, the Loan Documents and the Purchase and Servicing Documents
- Enable the Seller/Servicer to properly account for, reconcile and report on all Reserve funds as required by Sections 54.10 and 54.13

If a Seller/Servicer does not meet the requirements of this Section, Freddie Mac may require that one or more Reserve funds be deposited in a separate account.

## 52.5 Disbursement clearing Custodial Accounts (09/14/23)

A Servicer may, but is not required to, establish and use a disbursement clearing Custodial Account. A Servicer that uses a disbursement clearing Custodial Account must establish each such account in a demand deposit account, separate from any collection clearing account, in an eligible depository, as described in Section 52.2. A Servicer that establishes a disbursement clearing Custodial Account may establish and maintain the account in-house if the Servicer itself is an eligible depository. A disbursement clearing Custodial Account must be designated in exactly the same manner as a principal and interest Custodial Account.



## 52.6 Establishing a Custodial Account (06/15/23)

When a Servicer begins Servicing one or more Mortgages for Freddie Mac, the Servicer must immediately establish the types of Custodial Accounts required by this chapter in the manner prescribed.

When a Servicer establishes a Custodial Account, the Servicer must send to Freddie Mac *Counterparty Risk & Compliance*:

- The remittance instructions for the new Custodial Account [Draft Letter of Authorization ([Exhibit 5](#))]
- A copy of the bank statement or signature card for the new Custodial Account with the completed and executed applicable letter agreement prescribed by Section 52.6(a) or 52.6(b) (The documentation must identify the depository institution at which the account is maintained and the bank account number.)

Freddie Mac may require up to 15 Business Days from the date Freddie Mac receives this documentation to process remittance instructions for new Custodial Accounts. A Servicer should not use a newly established Custodial Account until after it has received notification from Freddie Mac that the new instructions have been processed.

When a Servicer closes a Custodial Account, the Servicer must send a notice to [Multifamily\\_Eligibility@FreddieMac.com](mailto:Multifamily_Eligibility@FreddieMac.com), along with a bank statement confirming a zero balance at the time the Custodial Account was closed.

### a. Establishing an in-house Custodial Account (06/15/23)

A Servicer that maintains Custodial Accounts in-house must complete, execute and return to Freddie Mac, at the address indicated on the form, the following additional forms, as applicable:

- [Form 1059, Letter Agreement for Principal and Interest or P&I Disbursement Clearing Custodial Account](#), (The letter agreement is not required for a principal reserve fund established for Multifamily Housing Bond Credit Enhancements and which is normally held by the bond trustee or, when so demonstrated by Servicer, other accounts established pursuant to the Trust Indenture.)
- [Form 1064, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House \(ACH\)](#)
- [Form 1060, Letter Agreement for Reserve Custodial Account](#)

### b. Establishing a Custodial Account in another institution (06/15/23)

A Servicer that does not maintain a Custodial Account in-house must complete, execute, and cause the depository institution that maintains the account to execute and return to Freddie Mac, at the address indicated on the form, the following additional forms, as applicable:



- [Form 1057, Letter Agreement for Servicer's Principal and Interest or P&I Disbursement Clearing Custodial Account](#)
- [Form 1064, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House \(ACH\)](#)
- [Form 1057A, Letter Agreement Securities Custodial Account for Tax-exempt Bond Transactions](#), for a principal reserve fund or Cap Fee Reserve established for Multifamily Housing Bond Credit Enhancements
- [Form 1058, Letter Agreement for Servicer's Reserve Custodial Account](#)

## **52.7 Deposits to Custodial Accounts (09/14/23)**

### **a. Borrower payment sent to the Servicer (10/31/12)**

All principal and interest payments and all Reserve funds must be deposited into the applicable Custodial Accounts no later than the first Business Day after their receipt by the Servicer.

### **b. Borrower payments sent to a lockbox (09/14/23)**

If a Servicer requires Borrowers to remit Mortgage payments (including partial payments and monies to be applied at a future date) to a lockbox service or other agent, the agent must deposit all payments into a collection clearing account no later than the first Business Day after their receipt. The Servicer must then deposit all of the principal and interest payments and Reserve funds into the appropriate Custodial Accounts, in accordance with the requirements of this chapter, no later than the first Business Day after the date on which the agent deposits the payments into the collection clearing account.

A lockbox service utilized by a Servicer must be maintained at an eligible depository, as defined in Section 52.2.

### **c. Borrower payments collected on or prior the Freddie Mac Funding Date (09/18/14)**

Any unapplied principal and interest payments and all Reserve funds collected from the Borrower on or prior to the Freddie Mac Funding Date must be deposited into the applicable Custodial Accounts no later than two Business Days after the Freddie Mac Funding Date.

## **52.8 Time deposits for Custodial Account funds (10/31/12)**

The Servicer may invest Custodial Account funds in a time deposit at an eligible depository, as described in Section 52.2. That time deposit must mature no more than seven days after any date on which the monies are deposited, provided, however, that:

- A time deposit of monies from a principal and interest Custodial Account or disbursement clearing Custodial Account may not mature on a date after any date on which a Servicer is required to use any of those monies to make an interim or monthly remittance of principal, interest and fees due to Freddie Mac, and



- A time deposit of funds from a Reserve Custodial Account may not mature on a date after any date on which the Servicer is required to use any of those funds to pay any amount due

The designation or title of the time deposit must be exactly the same as that of the Custodial Account from which the monies were withdrawn, as set forth in Sections 52.3, 52.4 and 52.5. A time deposit made pursuant to this section may not commingle funds from the principal and interest Custodial Account with funds from any other source. The Servicer may retain any interest earned on the monies so invested.

If the Servicer invests Custodial Account funds in an institution other than the existing Custodial Account depository or depositories, the Servicer must execute and return to Freddie Mac the applicable Letter Agreement or Letter Agreements in accordance with Section 52.6.

## 52.9 Monitoring institutional eligibility (04/18/24)

To determine a depository institution's eligibility status (see Section 52.2) for all Custodial Accounts, the Servicer must review the most recently available ratings.

If a Servicer's depository institution (including the Servicer itself, if it is its own depository institution) becomes ineligible, the Servicer must, within 60 days of the date all applicable ratings are released, establish a new Custodial Account held in an eligible depository (as described in Section 52.2) and meet all Freddie Mac requirements for establishing that new account (see Section 52.6).

Because depository institutions rated by Fitch Ratings, Standard & Poor's Ratings Group or Moody's Investors Service may receive rating changes at any time, the Servicer must monitor them continuously and no less frequently than monthly, in order to timely establish a new Custodial Account held in an eligible depository.

Upon notification from Freddie Mac that the remittance instructions have been processed for the new Custodial Account, the Servicer must transfer monies from the former Custodial Account at the former depository institution to the new Custodial Account at the new depository institution.

The Servicer is responsible for determining the eligibility status of each depository that maintains or remits custodial funds and may not consider notification by Freddie Mac as a condition to the Servicer's obligation to transfer funds to an eligible depository. To determine a depository institution's eligibility, a Servicer may contact [Multifamily\\_Eligibility@FreddieMac.com](mailto:Multifamily_Eligibility@FreddieMac.com) or may subscribe to any of the rating services at the Servicer's own expense. Freddie Mac will not assume responsibility for notifying a Servicer of an institution's eligibility status.

In addition, if a Servicer at any time obtains actual knowledge that a depository institution (including the Servicer itself, if it is its own depository institution) in which it maintains a Custodial Account is no longer an eligible depository institution, the Servicer must establish a new Custodial Account held in an eligible depository.

## 52.10 Changes to depository institution (06/15/23)

If the depository institution where a Custodial Account is held merges with or is acquired by another institution, resulting in a name change for the original institution, the Servicer must determine the eligibility of the new institution (see Section 52.2). The Servicer must also complete and submit a new Letter Agreement ([Form 1057](#), [1057A](#), [1058](#), [1059](#) or [1060](#), as applicable) and

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[Form 1064, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House \(ACH\)](#) to Freddie Mac at the address indicated on the form in accordance with Section 52.6.

## **52.11 Removal of Custodial Accounts from specified depositories (10/31/12)**

### **a. Freddie Mac required transfers (10/31/12)**

In addition to the criteria set forth in Section 52.9, Freddie Mac may, from time to time, by written notice to one or more Servicers, require Servicers to remove Custodial Accounts from specified depositories that Freddie Mac, at its sole discretion, determines may no longer hold Custodial Accounts or hold time deposits of Custodial Account monies. This written notice will state that Custodial Accounts and/or related time deposits must be removed from the specified depositories within a specific number of days.

To comply with the requirements set forth in the notice, a Servicer must remove the Custodial Accounts and/or related time deposits within the period of time specified in the notice and must establish new Custodial Accounts in another eligible depository selected by the Servicer, as described in Section 52.2.

If the Servicer itself is the depository specified in the notice, the Servicer must transfer monies from all of its in-house Custodial Accounts to new Custodial Accounts in an eligible depository selected by the Servicer. Freddie Mac's exercise of its rights under this section may mean that a depository that is an eligible depository, as defined in Section 52.2, may nonetheless be expressly prohibited from maintaining Custodial Accounts.

A Servicer that is required to transfer monies to a new Custodial Account in a new depository in accordance with the provisions of this section must establish this account in accordance with Section 52.6.

### **b. Optional transfers (10/31/12)**

A Servicer maintaining custodial funds at, or remitting custodial funds through, an eligible depository institution may choose to establish a new Custodial Account at another eligible depository institution at any time. A Servicer must establish a new Custodial Account at a new eligible depository institution in accordance with the provisions of Section 52.6.

## **52.12 Liability for transfers (05/01/14)**

Freddie Mac will not be liable to a Servicer for any costs, fees, loss of interest income or any other expenses directly or indirectly resulting from a Servicer being required to transfer monies in a Custodial Account from one depository to another pursuant to the requirements of this chapter.

## **52.13 Issuance and payment of sight drafts against Custodial Accounts and time deposits (10/31/12)**

Freddie Mac may at any time present a sight draft in substantially the same form as the Freddie Mac Sight Draft, [Form 1062](#), including a photographic or facsimile copy of the form, against any Custodial Account.



Upon the presentation of such a sight draft by an authorized officer, employee, representative, agent or attorney of Freddie Mac, designated as such in a Certificate of Incumbency and Authority to Draft Against Custodial Accounts, in substantially the same form as Freddie Mac [Form 1061](#), including a photocopy or facsimile copy of that form, to a Servicer that maintains a Freddie Mac Custodial Account in-house, the Servicer must pay to the order of Freddie Mac monies held in that account in accordance with the terms of the sight draft.

#### **52.14 Recordkeeping and reporting requirements (09/18/14)**

The Servicer must at all times maintain records for each Custodial Account that accurately reflect the following information:

1. The designation of the account (in accordance with the requirements of Section 52.3, 52.4 or 52.5)
2. The account number
3. The amounts of each Borrower's principal and interest payment and Reserves remitted to the Servicer, if applicable
4. The dates on which monies were deposited in the Custodial Account
5. Freddie Mac's vested and ascertainable interest in monies deposited into each Custodial Account

The principal and interest Custodial Account must be reconciled as of the 15th day of each month to the total amount due to Freddie Mac according to the Servicer Account Statement (see Section 54.10).

Freddie Mac, at its sole discretion, may request that a Servicer submit to Freddie Mac copies of Custodial Account records such as account statements, detailed trial balances and completed reconciliations, as well as supporting documentation for these records.

See Section 54.13 for detailed requirements concerning the quarterly submission of the Reserves Reporting Template.

#### **52.15 Reserve advances (10/31/12)**

Unless the relevant Mortgage or Loan Document provisions for a Reserve provide otherwise, if the amount held in a Reserve on behalf of a Borrower is insufficient to pay charges assessed against the Property or the Borrower when due, the Servicer must cover this deficiency by making an actual deposit of its own funds into the Reserve Custodial Account prior to remitting the payment. (See Section 39.2 for more information on Reserve requirements.) For Delinquent Mortgages, the receivable that offsets this advance by the Servicer is reimbursable in accordance with the provisions of Section 45.3. For current Mortgages, the Servicer may recover its advance from subsequent Reserve payments. The actual Reserve Custodial Account balance must always equal the sum of all Borrowers' positive Reserve balances.

**52.16 Delinquent Mortgages (10/31/12)**

For Mortgages using the Scheduled/Scheduled or Net Yield reporting method, all custodial monies, including those relating to Delinquent Mortgages, must be held in eligible depositories. If the amount on deposit in a Custodial Account as of the remittance date is less than the amount of the monthly remittance due to Freddie Mac on the remittance date, the Servicer must deposit sufficient monies into the account to make the total amount on deposit in the Custodial Account equal to the amount of the monthly remittance that is due. To recover these advances, the Servicer may reimburse itself from Delinquent payments from Borrowers.

**52.17 Reserved (03/31/11)**



# Multifamily Seller/Service Guide

## Chapter 53

### Determining and Remitting Payments



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## 53.1 Determining payments (10/20/22)

### a. Interest in arrears (03/31/11)

The Servicer must calculate interest in arrears for each Mortgage it services for Freddie Mac by using the amortization method. Under this method, an individual mortgage payment is applied to interest and principal by first calculating the interest portion and then applying the balance of the payment as a principal reduction.

Freddie Mac does not permit the use of the prepaid interest or interest-in-advance methods on Mortgages Freddie Mac owns. Any Servicer using the interest-in-advance method must convert to the interest-in-arrears method for Mortgages purchased by Freddie Mac before delivering the Mortgages to Freddie Mac. If a different method is specifically required by the law of the State where the Property is located, the Servicer must notify Freddie Mac *Multifamily Loan Accounting* in writing before remitting payments to Freddie Mac.

### b. Interest calculations for each month (10/20/22)

Unless otherwise specifically required by law, the Servicer must determine the interest portion of the payment by computing one full month's interest on the outstanding principal balance ([Exhibit 6](#)) regardless of the day on which the payment is actually received. To determine the interest due for the month, the Servicer must follow the interest rate calculation method set forth in the Note. The Servicer must carry factors used for interest calculations to at least six decimal places, then round to two decimal places based on the third digit. After applying the interest portion of the payment, the Servicer must apply the remainder to principal.

### c. Interest calculations for multiple installments (10/07/02)

When computations involve multiple installments, such as several delinquent installments, the Servicer may compute the interest from each installment using the same principal balance ([Exhibit 7](#)). The Servicer, at its option, may also calculate the amount to be applied to interest from each installment in succession, using the principal balance remaining after the previous calculation and principal application. Alternatively, the Servicer, at its option, may use a method that strictly applies payments according to a predetermined amortization schedule.

### d. Interest calculations involving a period of less than one month (10/07/02)

1. If a loan is originated and purchased by Freddie Mac in the same month, the Servicer must calculate, report and remit 30 days of interest to Freddie Mac, based on a 30-day month and a 360-day year. However, for loans originated and purchased by Freddie Mac in the month of February, the Servicer must calculate, report and remit interest to Freddie Mac based on the number of days in February (28 days in a non-leap year or 29 days in a leap year) and a 360-day year.
2. Except for the interest calculations referenced above, the Servicer must calculate, report and remit interest for a period of less than one month based on actual days and a 365-day year.



## 53.2 Application of payments: general policy (10/20/22)

Except as described in Sections 53.3 through 53.5, or as otherwise required by the Note, the Servicer must apply all payments of the monthly installment due as follows:

### a. Current loans (10/31/12)

1. Any prepayment premiums due under the Note
2. Reserves
3. Interest due
4. Principal due
5. Default interest
6. Any late charges due under the Note
7. All other fees due

### b. Loans one or two installments in arrears (10/31/12)

If a payment is received on a loan that is one or two installments in arrears, the Servicer must apply the payment in the following order:

1. Reserves, interest due and principal due for oldest past-due payment
2. Reserves, interest due and principal due for other past-due payment, if any
3. Prepayment premium due under the Note
4. Reserves, interest due and principal due for current payment
5. Default interest for any past-due payment
6. Late charges due under the Note
7. Any other fees due

### c. Loans more than two installments in arrears (05/01/14)

If a payment is received on a loan that is more than two installments in arrears, the Servicer must apply the payment in the following order:

1. Any prepayment premium due under the Note
2. Reserves for all installments due
3. Interest for all installments due



4. Principal for all installments due
5. Default interest for all installments in arrears
6. Late charges for installments in arrears
7. Any other fees due

### 53.3 Application of payments: differences in collection (10/31/12)

All payments received must equal or exceed the monthly principal, interest and Reserve payments, if applicable. If there is a payment deficiency *and* the Mortgage is not otherwise in default, the Servicer must credit the payment as described below:

#### a. Deficient payment on any Mortgage with Reserves (10/31/12)

1. If the deficiency is less than or equal to the lower of \$1,000 or the amount of the Escrow payment due, the Servicer must:
  - Reduce the amount credited to the Reserve balance by the deficiency
  - Reflect the Due Date of the Last Paid Installment (DDLPI) as current
  - Notify the Borrower of the deficiency
2. If the deficiency is greater than \$1,000 or the amount of the Reserve payment due, the Servicer must:
  - Credit the entire payment to the Reserve balance or a suspense account until the Servicer receives the full payment
  - Ensure that the DDLPI remains the same as before the deficient payment was recorded
  - Inform the Borrower that the deficiency constitutes a Delinquency and must be paid immediately
  - Collect the deficiency from the Borrower before applying any further payment except to the Reserve balance or a suspense account

#### b. Deficient payment on an amortizing Mortgage without Reserves (10/31/12)

1. If the deficiency is \$100 or less, the Servicer must:
  - Reduce the amount credited to the principal balance by the deficiency
  - Reflect the DDLPI as current
  - Notify the Borrower of the deficiency



- Collect the deficiency from the Borrower before applying any further payment except to a suspense account
2. If the deficiency is greater than \$100, the Servicer must:
- Credit the entire payment to a suspense account until the Servicer receives the full payment
  - Ensure that the DDLPI remains the same as before the deficient payment was recorded
  - Inform the Borrower that the deficiency constitutes a Delinquency and must be paid immediately
  - Collect the deficiency from the Borrower before applying any further payment except to a suspense account

**c. Deficient payment on an interest-only Mortgage without Reserves (10/31/12)**

1. If the deficiency is \$100 or less, the Servicer must:
- Reduce the amount credited to interest by the deficiency
  - Reflect the DDLPI as current
  - Notify the Borrower of the deficiency
  - Collect the deficiency from the Borrower before applying any further payment except to a suspense account
2. If the deficiency is greater than \$100, the Servicer must:
- Credit the entire payment to a suspense account until the Servicer receives the full payment
  - Ensure that the DDLPI remains the same as before the deficient payment was recorded
  - Inform the Borrower that the deficiency constitutes a Delinquency and must be paid immediately
  - Collect the deficiency from the Borrower before applying any further payment except to a suspense account

**d. Delinquency (10/31/12)**

Receipt of consecutive deficient payments constitutes a Delinquency, and the Servicer must credit such a payment to the Reserve, if applicable, or a suspense account.



**e. Default (10/31/12)**

If the Servicer receives a deficient payment while a Mortgage is in default, the Servicer must credit the entire payment to either the Reserve balance, if applicable, or a suspense account until the Servicer receives a full payment. If the Servicer credits the payment to a suspense account, the Servicer must deposit those funds to the principal and interest Custodial Account.

The Servicer's records must indicate at all times the source of, and reason for, any funds held in suspense.

The Servicer's records must reflect checks returned because of nonsufficient funds as a complete reversal of the most recent Reserve, interest and principal application.

See Section 54.2 for application of payments under workouts/repayment plans.

**53.4 Application of payments: Mortgage paid in full (04/30/15)**

The Servicer must determine and accept the amount required to pay a Mortgage in full, including interest to the payoff date and the full amount of the prepayment premium, if any, in accordance with the provisions of Section 51.1.

The Servicer may retain the servicing maintenance prepayment fee (as described in Section 38.4) and must remit to Freddie Mac the amount required to prepay the Mortgage in full less the servicing maintenance prepayment fee, if applicable.

**53.5 Application of payments: partial prepayments (curtailments) (04/30/15)**

The Servicer may accept partial prepayments of principal if permitted by the terms of the Note, or in consideration of a partial release of the Property or the taking of the Property in whole or in part by eminent domain.

**a. Computing interest (12/05/03)**

Each partial prepayment received after the Due Date of the monthly installment will be credited as of the Due Date of the next monthly installment. The Servicer must either (1) compute the interest portion of the next installment on the principal balance before crediting the partial prepayment, or (2) collect curtailment interest. Curtailment interest is the partial prepayment (curtailment) multiplied by the note rate divided by 12. If curtailment interest is collected at the time of the partial prepayment, the Servicer must compute the interest portion of the next installment due on the principal balance after the curtailment.

**b. Modifications (12/05/03)**

Without prior written approval by Freddie Mac, the Servicer may not postpone or extend the due date of any installment due or change the amount of any installment due because of the partial prepayment.





**c. Prepayment premiums (04/30/15)**

At the time of any full or partial prepayment of a Mortgage providing for a Yield Maintenance Prepayment Premium, the Servicer must calculate the Yield Maintenance Prepayment Premium computed as described in the Note, in accordance with Section 51.1.

**53.6 Reapplication of payments (10/20/22)**

If a Servicer receives a payment in excess of the current amount due, the Servicer must obtain instruction from the Borrower as to the application of the excess amount prior to applying the payment. After a Servicer has applied the payment, Freddie Mac will not allow the Servicer automatically to reapply that payment.

**53.7 Automated cash remittance system (06/15/23)**

**a. Introduction (06/12/23)**

The Servicer must initiate monthly remittances through Freddie Mac's automated cash remittance system. The Servicer may initiate the drafts by accessing the myOptigo® Servicer Remittance portal.

The myOptigo® Servicer Remittance portal is also accessible from the [Investor Reporting](#) site.

The Servicer authorizes the transfer of funds by submitting the draft amount request through the myOptigo® Servicer Remittance portal which initiates an electronic debit through the Automated Clearinghouse (ACH). All ACH items must be cleared through normal banking channels before being credited to Freddie Mac. The Servicer may direct any questions concerning the myOptigo® Servicer Remittance system to (800) FREDDIE; select Option 1, then Option 4 for the Multifamily Service Desk.

**b. Initial remittances (06/12/23)**

Freddie Mac will give new Servicers a 60-day grace period from the date of Seller/Servicer approval to begin using the automated cash remittance system. Until Freddie Mac notifies a Servicer to begin using the cash remittance system, the Servicer must remit funds by wire transfers. The Servicer should contact its accounting representative in Freddie Mac *Multifamily Loan Accounting* regarding wire transfer instructions. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

Before Freddie Mac can debit a Servicer for a transfer of funds via the ACH system, Freddie Mac will arrange for a zero-dollar prenotification debit for receipt by the Servicer's bank against the Servicer's account. This prenotification debit is used to verify the accuracy of the Servicer's bank routing instructions for electronic debit processing.

The prenotification process will be used in the following situations:

- Upon approval of a new Servicer whose bank is an ACH member
- When the Servicer's bank becomes an ACH member
- When a Servicer changes its bank routing instructions and its bank is an ACH member

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**c. Use of the ACH (10/07/02)**

Freddie Mac intends to receive funds via the ACH whenever a Servicer's bank is an ACH member.

**d. Classification of remittances (06/12/23)**

Before initiating a cash remittance, the Servicer must classify the remittances into three categories:

- **Nonpayoff remittances**, which include
  - Monthly principal and interest
  - Curtailments
- **Payoff remittances**, including prepayment premiums
- **Fee Remittances**, which include late fees, default interest, interest reimbursement fees, bond credit enhancement fees and noncompliance fees

**e. Initiating remittances (06/12/23)**

The Servicer can initiate a cash remittance request by accessing the myOptigo® Servicer Remittance portal. For step-by-step instructions, please refer to the [myOptigo® Servicer Remittance Portal User Guide](#).

For additional information,

- Visit the [Freddie Mac Learning Center](#)
- Contact (800) FREDDIE and select Option 1 then Option 4 for the Multifamily Service Desk

**f. Reserved (06/12/23)**

**g. Changes in remittance instructions (06/15/23)**

A Servicer that wants to change its designated account or modify its existing bank routing instructions must submit:

- [Form 1064, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House \(ACH\)](#)
- The applicable Letter Agreement form to the department indicated on the form:
  - [Form 1057, Letter of Agreement for Servicer's Principal and Interest of P&I Disbursement Clearing Custodial Account](#), or



- [Form 1059, Letter of Agreement for Principal and Interest, or P&I Disbursement Clearing Custodial Account.](#)

The Servicer may direct any questions to *Multifamily Cash Management*. Freddie Mac requires its receipt of [Form 1064](#) at least 15 Business Days before the Servicer's use of the new account or modified bank routing instructions for the Freddie Mac cash remittance system.

The Servicer must continue to use the existing account or bank routing instructions until Freddie Mac gives the Servicer written authorization that the new account or modified bank routing instructions may be used.

If the Servicer discontinues use of the existing account or bank routing instructions before obtaining written authorization from Freddie Mac, the Servicer will be subject to an interest reimbursement fee as set forth in Section 53.11.

### 53.8 Availability of funds; timing of remittances (10/19/23)

Freddie Mac requires the Servicer to use the myOptigo® Servicer Remittance portal for an interim or monthly remittance. The Servicer must ensure that all funds due to Freddie Mac are available for use by Freddie Mac no later than the remittance due date.

Since Freddie Mac does not have use of funds until one Business Day after the Servicer submits a remittance request through the myOptigo® Servicer Remittance portal, the Servicer must submit each remittance to the myOptigo® Servicer Remittance System (see Section 53.7) no later than 1:00 p.m. Eastern time one Business Day preceding the remittance due date. Any remittance submitted after 1:00 p.m. Eastern Time will be processed the following Business Day.

Remittance can be submitted in advance for up to 30 days, with the exception of non-business days.

Freddie Mac may charge an interest reimbursement fee in the event of remittance delay (see Section 53.11). Freddie Mac may also charge an interest reimbursement fee in the event of any overdraft or return of the Automated Clearinghouse item to Freddie Mac.

### 53.9 Amounts included in interim remittances; due dates (06/12/23)

Freddie Mac requires interim remittances according to the following schedules:

#### a. Mortgages paid in full, third-party sales, short payoffs (02/14/22)

##### 1. Gold PC Securitized Mortgages purchased by Freddie Mac under the Multifamily Negotiated Transactions Program or the Multifamily PC One<sup>SM</sup> Program

The Servicer must ensure that payoff proceeds, including any applicable prepayment premium, are available to Freddie Mac on the third Business Day after a Mortgage is paid in full. The Servicer must make such remittances in accordance with Section 53.7.

##### 2. All other Mortgages, including 55-Day Multi PC Securitized Mortgages

The Servicer must ensure that payoff proceeds, including any applicable prepayment premium, are available to Freddie Mac on the fifth Business Day after a Mortgage is paid in full. The Servicer must make such remittances in accordance with Section 53.7.



**b. REO proceeds (06/12/23)**

The escrow agent facilitating the REO purchase process must remit multifamily REO proceeds by wire transfer immediately after settlement. Wire transfers received after 4 p.m. Eastern Time will be credited on the next Business Day. The escrow agent will receive wire transfer instructions prior to the closing from the applicable *Freddie Mac Multifamily Attorney*. The wire transfer must reference the appropriate identifying information including Property/Project name, the Freddie Mac loan number, remittance type and appropriate Freddie Mac contact person(s).

**c. Repurchase proceeds (06/12/23)**

The Servicer must remit the proceeds to Freddie Mac via the myOptigo® Servicer Remittance portal in accordance with Section 53.7.

**d. Proceeds of repurchases of REO (06/12/23)**

For repurchases of REO, within 10 Business Days following the date of Freddie Mac's letter requiring or approving the repurchase, the Servicer must remit the multifamily REO repurchase proceeds by wire transfer. The Servicer must obtain wire transfer instructions from Freddie Mac at [MF\\_Borrower\\_Transactions@freddiemac.com](mailto:MF_Borrower_Transactions@freddiemac.com). The wire transfer must reference the appropriate identifying information including Property/Project name, the Freddie Mac loan number, remittance type and appropriate Freddie Mac contact person(s).

**53.10 Monthly remittances (06/12/23)**

**a. Types of monthly remittances (10/07/02)**

Unless otherwise specified by the Servicing Agreement or the Letter of Commitment, the Servicer must make monthly remittances, net of authorized reimbursements for interest advanced, for the following collections:

- Principal and interest reported for Mortgages
- Tax exempt bond principal and interest reported as reimbursements to Freddie Mac, where Freddie Mac made an advance for a prior month's Delinquency
- Default interest and late charges
- Interest on arrears
- Additions or deductions as authorized by Freddie Mac in writing
- Interest reimbursement fees, tax exempt bond credit enhancement fees and noncompliance fees assessed by Freddie Mac

**b. Monthly principal and interest remittance cycles (06/12/23)**

The remittance cycles are:

**1. Plan B Participation Mortgages**



For Mortgages purchased under the former Plan B Participation Loan Program, the Servicer must remit net yield interest and principal received from the Borrower before 3 p.m. Eastern time on the first Tuesday of the month following the monthly accounting cutoff date (the 15th of a month or the Business Day preceding the 15th if the 15th is not a Business Day).

If this day is a holiday and not the first day of the month, the remittance must be made on the immediately preceding Business Day. If this day is a holiday and is the first day of the month, the remittance must be made on the next Business Day.

## **2. Gold PC (45-Day PC) Securitized Mortgages**

For Gold PC Securitized Mortgages, the Servicer must make principal and interest payments available to Freddie Mac on the following dates:

- For all collections received by the Servicer from the 16th of the previous month through the 13th of the current month, the Servicer must make all remittances to Freddie Mac by the 15th of the month (or the following Business Day if the 15th is not a Business Day).
- For all collections received by the Servicer on the 14th or the 15th of the current month, the Servicer must make all remittances to Freddie Mac by the third Business Day following the 15th of the month.

## **3. 55-Day Multi PC Securitized Mortgages**

For 55-Day Multi PC Securitized Mortgages, the Servicer must make all collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the Business Day after the monthly 55-Day Multi PC determination date.

## **4. Tax Exempt Bond Credit Enhancement Mortgages**

Monthly remittances of credit enhancement fees and principal and interest Delinquency reimbursements to Freddie Mac are due on the 15th of the month (or the next Business Day if the 15th is not a Business Day).

## **5. All other Mortgages, except ARMs**

For all other Mortgages purchased by Freddie Mac, except ARMs, the Servicer must make collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the fifth Business Day after the monthly accounting cutoff date (the 15th of a month or the Business Day preceding the 15th if the 15th is not a Business Day).

## **6. ARMs that have been securitized and are not Tax Exempt Bond Credit Enhancement Mortgages**

The Servicer must make collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the third Business Day after receipt from the Borrower.

## **7. ARMs that have not been securitized**



The Servicer must make principal and interest available to Freddie Mac on the following dates:

- For ARMs purchased before June 1, 2009, the Servicer must make collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the third Business Day after receipt from the Borrower.
- For ARMs purchased on or after June 1, 2009, the Servicer must make all principal and interest collections received by the Servicer from the 16th of the previous month through 15th of the current month available to Freddie Mac, in accordance with Section 53.8, by the third Business Day following the 15th of the current month.

**c. Overremittance and underremittance (05/01/14)**

In the event of an overremittance of funds, the Servicer must notify its accounting representative at Freddie Mac *Multifamily Loan Accounting* immediately by telephone.

If the Servicer determines there has been an underremittance of funds, the Servicer must remit the shortage to Freddie Mac immediately. Underremittance of funds is a violation of the Purchase and Servicing Documents and may result in the assessment of an interest reimbursement fee. (See Section 53.11.)

**53.11 Failure to comply with Freddie Mac remittance requirements (06/12/23)**

**a. Interest on late remittances (12/05/03)**

Failure of the Servicer to comply with the required remittance procedures constitutes a violation of the Purchase and Servicing Documents. If the Servicer's failure to comply with the remittance procedures results in late availability of funds to Freddie Mac, Freddie Mac will charge the Servicer interest on the amount of the late remittance.

This interest is in addition to other remedies that may be available to Freddie Mac.

**b. Rate of interest (12/05/03)**

The rate of interest on the late remittance will equal the highest quoted prime rate printed on the first Business Day following the 15th of each month in *The Wall Street Journal* in its regular column entitled "Money Rates," plus 3 percent. If the prime rate is not published, the rate will be determined by Freddie Mac.

**c. Interest calculation (06/12/23)**

Freddie Mac will determine the amount of the interest according to the amount of the late remittance and the number of days the remittance is late, based on a 365-day year. Freddie Mac will charge a minimum interest amount of \$50 on any late remittance. For an example, see [Exhibit 9](#).

Freddie Mac reserves the right to change its method of calculating the interest or the amount of the minimum interest at any time and at its sole discretion.

Freddie Mac reserves the right to adjust, waive or reverse any penalty fee assessments.



## **53.12 Determining and remitting product-specific payments (09/08/04)**

For additional information on determining and remitting payments for Multifamily Housing Bond Credit Enhancements, see Sections 28.22 and 28.23.



# Multifamily Seller/Servicer Guide

## Chapter 54

### Accounting and Reporting



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## 54.1 First report (09/25/15)

### a. Purchase details (05/01/14)

For each Mortgage purchased under Freddie Mac's Multifamily Conventional Cash Mortgage Purchase Program, the Multifamily Detailed Loan Purchase Statement provides the details of the purchase and the Freddie Mac Funding Date.

For each Mortgage purchased under Freddie Mac's Multifamily Negotiated Transactions Program, Freddie Mac will provide the details of the purchase and the Freddie Mac Funding Date in the Purchase Agreement.

### b. Timing of first report (09/25/15)

If the Freddie Mac Funding Date is on or after the first of the month and on or before the accounting cutoff date (as defined in Section 50.8) for the same month, the Servicer must prepare and submit the first monthly accounting report in the same month as the Freddie Mac Funding Date, regardless of whether the Borrower has made monthly principal payments, payments-in-full or partial prepayments that reduce the principal balance of the Mortgage as purchased by Freddie Mac.

If the Freddie Mac Funding Date is after the accounting cutoff date, the Servicer must prepare and submit the first monthly accounting report in the month following the month of the Freddie Mac Funding Date.

### c. Contents of first report (05/01/14)

If the Servicer submits the first monthly accounting report as of the accounting cutoff date occurring in the same month as the Freddie Mac Funding Date, the first report reflects only principal received. The Servicer does not report interest applicable to the period before the month in which the Freddie Mac Funding Date occurs. If the Servicer prepares the first monthly accounting report as of the accounting cutoff date in the month following the Freddie Mac Funding Date, the Servicer must report principal received and interest at the Accounting Net Yield rate calculated on the principal purchased by Freddie Mac.

If the Servicer originates a Mortgage in the same month as the Freddie Mac Funding Date, then the interest reported (as of the accounting cutoff date in the month following the Freddie Mac Funding Date) must equal one full month at the Accounting Net Yield rate. (Also see Section 53.1(d) regarding interest calculations). The Servicer must calculate this interest on the principal purchased by Freddie Mac. The accrued interest calculation on the Multifamily Detailed Loan Purchase Statement assumes that the Seller owned the Mortgage as of the first day of the month in which the Freddie Mac Funding Date falls and that the purchase price paid by Freddie Mac includes interest from the first day of the funding month to the Freddie Mac Funding Date. Freddie Mac's calculation of the purchase price by this method ensures that the Seller/Servicer has the funds necessary to report and remit a full month's Net Yield interest.

For example:	
Origination Date:	June 6
Purchased by Freddie Mac:	June 25

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<b>Per Diem interest Borrower pays at loan origination:</b>	25 days (6/6-6/30) @ Note Rate
<b>Freddie Mac pays at funding:</b>	24 days (6/1-6/24) @ Net Yield
<b>Total interest received by Seller:</b>	49 days
<b>Report/Remit to Freddie Mac for July accounting cycle:</b>	(30 days) @ Net Yield
<b>Seller retains:</b>	19 days (6/6-6/24) @ Note Rate + 6 days (6/25-6/30) Servicing Spread

## 54.2 Accounting with respect to workouts/repayment plans (12/14/23)

Chapter 44 describes Freddie Mac's Servicing requirements regarding workouts/repayment plans. Servicers should read that section in conjunction with the accounting requirements in this chapter.

For further information regarding the accounting for repayment plans, the Servicer should contact its accounting representative at Freddie Mac *Multifamily Loan Accounting*.

## 54.3 Reporting (09/14/23)

### a. Interest and prepayment premium calculation (04/15/21)

The Servicer must report via myOptigo<sup>SM</sup> for Investor Reporting each Mortgage paid in full. If, in the same accounting cycle, a payment-in-full follows a regular payment, the Servicer must report in the Additional Principal field the unpaid principal balance (UPB) of the Mortgage after the regular payment is applied. The Servicer must calculate the interest and prepayment premium on exception activities (see Section 50.8), basing this calculation on the amount appearing in the Additional Principal field.

### b. Liquidation interest (10/07/02)

Liquidation interest is the amount of interest due from the prepayment date to what would have been the next due date. The Servicer must calculate and collect the liquidation interest accordingly. Along with the remittance of the prepayment in accordance with Sections 53.9 and 53.10, the Servicer must remit to Freddie Mac liquidation interest at the Freddie Mac Accounting Net Yield rate.

### c. Erroneous reporting (10/20/22)

If the Servicer erroneously reports a Mortgage as paid in full, the Servicer must notify its representative at Freddie Mac *Multifamily Loan Accounting* immediately by telephone. Freddie Mac will allow correction in its sole discretion. Otherwise, the Servicer must repurchase the Mortgage and must not add the principal portion back to the balance transmitted via myOptigo or other Freddie Mac Multifamily Servicing Systems.



**d. Mortgages sold in a Securitization (09/14/23)**

The Servicer must report via myOptigo for Investor Reporting each Mortgage sold in a Securitization. After reporting the regular scheduled payment, the Servicer must report in the Non-Cash Writedown field the unpaid principal balance (UPB) of the Mortgage after the regular scheduled payment is applied. If applicable, the Servicer must calculate the interest and prepayment premium on the exception activity (see Section 50.8), basing this calculation on the amount appearing in the Non-Cash Writedown field.

**54.4 Mortgage repurchase (10/20/22)**

Chapter 47 governs repurchases by the Seller or Servicer.

**a. Repurchase price (10/07/02)**

Freddie Mac will calculate the repurchase price as set forth in Section 47.4.

**b. Reporting of repurchases (10/20/22)**

For any repurchase required by Freddie Mac or requested by the Servicer and approved by Freddie Mac, the Servicer must report the repurchase via myOptigo for Investor Reporting (coded as a Mortgage repurchase using Exception Code 66) no later than the due date specified by Freddie Mac. Freddie Mac may require the repurchase of any Mortgage or any Real Estate Owned (REO).

The Servicer must account for and report the repurchase of a Mortgage or REO in the same manner as it accounts for and reports a Mortgage paid in full. The Servicer must set the date on which the exception activity will occur at no more than 10 Business Days after the date on which Freddie Mac notified the Servicer that Freddie Mac is requiring or approving the repurchase.

**54.5 Third-party foreclosure sales and short payoffs (10/21/21)**

If a Property is sold to a third party on the foreclosure sale date, that sale is referred to as a third-party foreclosure sale. If Freddie Mac accepts less than payment-in-full on a Mortgage, that payment is referred to as a short payoff.

**a. Reporting requirements (04/15/21)**

The Servicer must report third-party foreclosure sales and short payoffs via myOptigo for Investor Reporting in accordance with the specific instructions provided by Freddie Mac Multifamily Loan Accounting for each transaction. Freddie Mac Multifamily Loan Accounting will forward a transaction summary to the Servicer indicating the exception code, the amounts and the appropriate fields to complete in myOptigo for Investor Reporting. The summary also will indicate the amounts (if any) to be called in to Freddie Mac's service bureau; the amounts (if any) received by Freddie Mac; and the amounts to be credited to the Servicer for Servicing fees earned or for any losses, expenses or advances recovered.

The transmission must reach Freddie Mac in accordance with the reporting due date in Section 50.10.



For further assistance in reporting third-party foreclosure sales or short payoffs, the Servicer should contact its accounting representative at Freddie Mac *Multifamily Loan Accounting*.

**b. Reimbursement of uncollected advances and unreimbursed expenses (06/30/15)**

A third-party foreclosure sale or short payoff may not generate sufficient proceeds to pay off the total indebtedness (UPB, accrued interest and any incurred expenses) and legal fees, either because:

- Freddie Mac has approved a bid or accepted a payoff amount of less than total indebtedness to prevent or facilitate the foreclosure sale, or
- Applicable law does not allow recovery of certain expenses or fees from the Borrower

In either case, the Servicer must comply with the reporting requirements set forth in Section 54.5(a). Freddie Mac will reimburse the Servicer from the proceeds in proportion to Freddie Mac's percentage of participation in the Mortgage. Depending upon the amount of the proceeds and the amount of Freddie Mac's participation in the Mortgage, Freddie Mac may be unable to fully reimburse the Servicer.

**1. Reimbursement of interest**

Freddie Mac will calculate interest paid to Freddie Mac for the period of time the Servicer advanced uncollected interest. Freddie Mac will reimburse the Servicer via a credit to the Servicer's monthly remittance amount due to Freddie Mac.

**2. Reimbursement of expenses**

To request reimbursement of unrecovered expenses, the Servicer must submit [Form 104, Loan and Real Estate Owned \(REO\) Expenses and Income](#), via the Document Management System (DMS), within the time specified in Section 45.3.

**c. IRS reporting of property acquisitions and abandonments (IRS Form 1099-A) (10/21/21)**

On Freddie Mac's behalf, the Servicer must submit IRS Form 1099-A, Acquisition or Abandonment of Secured Property, to the Internal Revenue Service (IRS), in accordance with Section 43.3.

**d. IRS reporting of Cancellations of Debt (IRS Form 1099-C) (10/21/21)**

See Section 43.3 regarding reporting discharge of indebtedness on IRS Form 1099-C, Cancellation of Debt.

**54.6 Reporting REO (04/15/21)**

**a. Reporting requirements for transfers to REO (04/15/21)**

The Servicer must transfer a Mortgage to REO if the Property is not sold before or at the foreclosure sale. The Servicer must use myOptigo for Investor Reporting and the REO exception code to report the transfer to REO. If the Servicer does not receive prompt notification of the foreclosure sale, Freddie Mac will not assess a late reporting fee.



If the Property is redeemed between the foreclosure sale date and the accounting cutoff date, the Servicer must report the redemption via myOptigo for Investor Reporting as a payoff by the earlier of:

- Two Business Days after the foreclosure sale occurred, or
- The last Business Day of the month in which the foreclosure sale occurred

**b. Reimbursement of uncollected advances and unreimbursed expenses (04/15/21)**

Freddie Mac will reimburse the Servicer for uncollected advances and expenses as follows:

**1. Reimbursement of interest**

Freddie Mac will reimburse the Servicer for interest paid to Freddie Mac for the period of time the Servicer advanced uncollected interest. Each month, the Servicer must report via myOptigo for Investor Reporting any uncollected interest advanced to Freddie Mac. Freddie Mac will reimburse the Servicer via a credit to the Servicer's monthly remittance amount due to Freddie Mac in the same accounting cycle as the report.

**2. Reimbursement of expenses**

To request reimbursement of unrecovered expenses, the Servicer must submit [Form 104](#), via the Document Management System (DMS), within the time specified in Section 45.3.

**c. IRS reporting of property acquisitions and abandonments (IRS Form 1099-A) (05/06/05)**

On Freddie Mac's behalf, the Servicer must submit IRS Form 1099-A to the IRS in accordance with Section 43.3.

**54.7 Principal balance correction (04/15/21)**

If a Servicer erroneously reports a reduction in the UPB, the following rules will apply:

- If the Servicer erroneously understates a principal reduction in one accounting cycle, the Servicer must adjust the understatement by reporting via myOptigo for Investor Reporting an increased amount of the principal reduction in the next accounting cycle.
- If the Servicer erroneously overstates a principal reduction and the overstatement is so substantial that it offsets the principal collections for the following month by more than \$1,000, Freddie Mac may require the Servicer to repurchase the Mortgage.

The Servicer must maintain accurate records for Freddie Mac's review and inspection of actual principal reductions and any adjustments.

**54.8 Changing accounting method on nonperforming loans (04/15/21)**

Freddie Mac permits the Servicer to change the accounting method only on nonperforming loans accounted for under the net yield accounting method. Freddie Mac does not require or permit the





Servicer to change the accounting method for other Mortgages. The purpose of changing the accounting method from the net yield method to the alternate method is to discontinue the advancement of interest to Freddie Mac.

**a. Workout/Repayment Plans (10/07/02)**

When Freddie Mac grants a workout/repayment plan, the Servicer must apply funds collected from the Borrower according to the Note or repayment agreement. During the workout/repayment period, the Servicer must report to Freddie Mac using the alternate method. Upon repayment of all Delinquent amounts, the Servicer must report to Freddie Mac using the accounting method designated in the Purchase Contract.

**b. Other nonperforming loans (04/15/21)**

To change from the net yield method to the alternate method, the Servicer must send a written request to the *Applicable Multifamily Asset Management Mortgage Loan Administrator*. The request must state the Due Date of the Last Paid Installment (DDLPI) of the Mortgage, the total dollar amount of interest advanced to Freddie Mac and a request to change the accounting method. The Freddie Mac Multifamily Asset Management Mortgage Loan Administrator (MLA) will review the Mortgage performance, including the probability of foreclosure or other liquidation proceedings. The MLA will confirm the DDLPI and interest advanced amount with Freddie Mac *Multifamily Loan Accounting* and make a decision regarding the request. The Servicer may not change the accounting method of a Mortgage until Freddie Mac Multifamily Asset Management grants written approval to change the accounting method. In the accounting cycle following the change approval, Freddie Mac *Multifamily Loan Accounting* will clear all of the advance balances. In the accounting cycle following the clearing of the advance balances, the Servicer must begin reporting via myOptigo for Investor Reporting using the alternate method.

## 54.9 Accounting noncompliance fees (10/05/07)

Any Servicer that fails to comply with the requirements set forth in Chapters 50 through 54 is subject to the following noncompliance fees:

Fee type	Cause/description	Amount
Servicer Cutoff Reporting Fee (for a consecutive 12-month period)	Late/nonreporting or unusable monthly loan-level data	1st offense - \$250
		2nd offense - \$550
		3rd offense - \$1,000
		Each additional offense - \$1,000
Late Reported Payoffs Fee (for a consecutive 12-month period)	Payoff transaction transmitted after required due date	1st loan - \$250
		2nd loan - \$550
		3rd loan - \$1,000



Fee type	Cause/description	Amount
		Each additional loan - \$1,000

Freddie Mac separately monitors and assesses accounting reporting, Delinquency reporting and Servicing reporting noncompliance fees. Freddie Mac will send the Servicer a written notification of each violation.

All accounting noncompliance fees are due to Freddie Mac no later than the fifth Business Day after the first accounting cutoff date following the date of noncompliance.

#### 54.10 Monthly reconciliation (06/12/23)

The Servicer must reconcile all custodial accounts as of the accounting cycle cutoff and identify any variances. The Servicer must:

- Use [Form 1143, Multifamily Principal and Interest Custodial Account Reconciliation Worksheet](#), to reconcile the principal and interest custodial account and identify any variances
- Maintain a paper file containing all completed [Forms 1143](#) and supporting documentation in accordance with Chapter 34
- Complete all custodial account reconciliations within 45 days of the respective accounting cycle cutoff
- Resolve any reconciling items and fund any shortages within 90 days following the respective accounting cycle cutoff

At the start of each calendar month, Freddie Mac will send to the Servicer an Account Statement and a Cash Statement. Freddie Mac will also provide adjustment reports if Freddie Mac has made adjustments to the Servicer Account Statement.

The Servicer Account Statement is a summary report that reflects the Servicer's total amount due Freddie Mac as of the accounting cutoff date. The report includes beginning and ending balances, total amounts due from all Mortgages, the total remittances made available to Freddie Mac during the accounting cycle and any adjustments Freddie Mac made to the Servicer's account. The Servicer must reconcile the principal and interest custodial account balance to the Servicer Account Statement Ending Balance each month, using [Form 1143](#). If a Servicer maintains more than one principal and interest custodial account, the Servicer must consolidate and balance all such accounts to the Servicer Account Statement.

The Cash Statement summarizes the remittances Freddie Mac received from a Servicer via the ACH draft requests submitted through the myOptigo® Servicer Remittance portal, wires and checks during an accounting cycle, as well as the amounts that were due, and indicates any overages or shortages. Shortages will result in the assessment of an interest reimbursement (see Section 53.11). If the Servicer finds an error on the Cash Statement, the Servicer must contact Freddie Mac *Multifamily Loan Accounting*, and provide the documentation necessary to substantiate the claim within 90 days from the end of the period covered by the Cash Statement. Upon completion of Freddie Mac's research, Freddie Mac will make any appropriate adjustment to the Cash Statement and any appropriate recalculation of late remittance interest reimbursement amounts.

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The Servicer should contact Freddie Mac *Multifamily Loan Accounting* if the Servicer has not received supporting documentation for any adjustment posted to its account or if the Servicer needs assistance using the monthly reports.

#### **54.11 Product-specific accounting and reporting (09/08/04)**

For additional information on accounting and reporting for Bond Credit Enhancement Mortgages, see Sections 28.21 and 28.22.

#### **54.12 Loan balance confirmation for a Mortgage scheduled for Securitization (05/01/14)**

For each Mortgage being considered for sale in a Securitization, Freddie Mac may periodically, up to and including the settlement date, request that the Servicer provide a loan balance confirmation to ensure that Freddie Mac is in receipt of the most current balance information prior to Securitization. The Servicer must provide the confirmation within two Business Days of receiving the request.

#### **54.13 Servicing reporting requirements for the Sales Data Update and the Reserves Reporting Template (06/30/15)**

The Servicer must provide Freddie Mac with periodic data updates, which the Servicer must submit as follows:

- The Servicer must submit the Sales Data Update Template on a monthly basis, by the close of business on the 12th day of the month. If the 12th day of the month falls on a Freddie Mac non-Business Day, the Sales Data Update Template will be due on the first Freddie Mac Business Day after the 12th day of the month.
- The Servicer must submit the Reserves Reporting Template by close of business 15 days after the last day of each quarter. If the 15th day after the last day of the quarter falls on a Freddie Mac non-Business Day, the Reserves Reporting Template is due by close of business on the Business Day preceding the 15th day after the last day of the quarter.

Both reporting templates can be found at [mf.freddiemac.com/lenders/reporting](http://mf.freddiemac.com/lenders/reporting) and must be uploaded to the Loan Servicing site within the Multifamily Document Management System (DMS).

See also Section 52.14.

#### **54.14 Servicing reporting requirements for Credit Facilities (revolving lines of credit) (06/12/23)**

NOTE: This Section is not applicable to a Credit Facility with a Servicing Agreement.

See Section 43.31(a) for the definitions of capitalized terms used in this Section. If there is a conflict in terms between the Guide and the applicable Credit Agreement, the terms used in such applicable Credit Agreement will govern.



**a. Interest Rate Determination and Adjustments (06/29/17)**

The Servicer must determine the interest rate applicable to any Borrowing Tranche under the Credit Facility pursuant to (i) the requirements set forth in the Credit Agreement and (ii) the information provided in the Credit Agreement Schedule, as the case may be, including the calculations required to be performed and certified by the Servicer.

**b. Payments (06/29/17)**

For each regular monthly payment due under the Credit Agreement, the Servicer must provide the Borrower by fax, or by other electronic transmittal, with the Monthly Payment Statement, as set forth in the Credit Agreement, at least five Business Days prior to the first day of the calendar month. The Monthly Payment Statement must detail all amounts due and payable, together with any Seasoning Fees and any other fees due and payable for that calendar month, including all amounts which will accrue prior to the first day of the succeeding calendar month, pursuant to the requirements of the applicable Credit Agreement.

For a payoff at maturity of a Borrowing Tranche, the Servicer must provide the Borrower by fax, or by other electronic transmittal, with an invoice, at least one Business Day prior to the maturity date, detailing the payments due and payable at maturity.

For a payoff prior to maturity of a Borrowing Tranche, the Servicer must provide the Borrower by fax, or by other electronic transmittal, with a statement of interest detailing the aggregate payoff amount including any applicable Accrued Interest on the same day the Servicer receives such Borrower's notice of its intent to prepay (if the Servicer receives the Borrower's notice prior to 12:00 p.m., Eastern Time on the day which is at least 10 Business Days prior to the proposed prepayment date), otherwise the statement of interest must be delivered on the Business Day following the receipt of the Borrower's notice. Freddie Mac must approve the Servicer's statement of interest detailing the aggregate payoff prior to the Servicer's issuance of the statement of interest to the Borrower.

**c. Remittances (06/29/17)**

The Servicer must remit all regular monthly payments due in accordance with the terms of the Credit Agreement and received by the Servicer to Freddie Mac not later than the second Business Day of the month following the month in which the Servicer receives those payments. If any such payment is not received by the Servicer prior to the last day of the month in which it is due, then the Servicer must remit such payment to Freddie Mac within one Business Day after the Servicer receives such payment. For the purposes of this Section, Freddie Mac will consider all funds received from the Borrower prior to 2:00 p.m., Eastern Time (time being of the essence) to be received on that Business Day.

All remittances from the Servicer to Freddie Mac must be in immediately available funds and must include all regular monthly payments and all funds received by the Servicer relating to the payoff of a Borrowing Tranche under the Credit Agreement.

**d. Remittance Method (06/12/23)**

For those funds representing a regular monthly payment, the Servicer must make remittances to Freddie Mac by submitting remittance requests through the myOptigo® Servicer Remittance portal (see Section 53.7). For those funds representing a payoff of a Borrowing Tranche, the



Servicer must make any remittances to Freddie Mac by same Business Day wire transfer to Freddie Mac pursuant to wiring instructions previously supplied to the Servicer by Freddie Mac.

**e. Reporting (04/15/21)**

1. **Monthly Reporting.** The Servicer must report loan-level transactions using the myOptigo reporting system. The reports must reach Freddie Mac no later than the Accounting Cutoff Date.
2. **Other amounts.** The Servicer must report as instructed by Freddie Mac all other amounts remitted by the Servicer that cannot be reported as part of loan-level transactions.

**f. Loan Request (06/29/17)**

The Servicer must submit to Freddie Mac each Loan Request or Renewal Request executed by the Servicer and the Borrower at least three Business Days but not more than five Business Days prior to the Borrowing Date requested by the Borrower. Each such Loan Request and/or Renewal Request must be in the form required by the Credit Agreement or otherwise in form and substance acceptable to Freddie Mac. A Loan Request or Renewal Request will be deemed received by Freddie Mac only when (i) sent by facsimile to 571-382-4798 and/or electronic mail to [MFLA@freddiemac.com](mailto:MFLA@freddiemac.com) and (ii) orally confirmed with the designated representative of the Servicer by the designated MF Operations Loan Accounting representative ("Confirmation").

Subsequent to its receipt of a Confirmation, Freddie Mac will wire the amount of the funds set forth in the Loan Request in accordance with its obligations under the Credit Agreement, however, Freddie Mac will have no obligation to honor any change to approved wire instructions in connection with the Credit Facility unless Freddie Mac has received written Notice of such change, together with all wire instruction documentation reasonably requested by Freddie Mac (including a Certificate of Incumbency, IRS Form W-9, and notarized wiring instructions) at least five Business Days prior to the Borrowing Date requested by the Borrower.

**g. Method of Accounting (06/29/17)**

The Servicer must use the "alternate method" of accounting for Freddie Mac yield set forth in Section 50.12 of the Guide.

**h. Credit Agreements (06/29/17)**

The Servicer must perform all other obligations required to be performed by the Servicer under the Credit Agreements and all other Credit Facility Documents.

# Documentation and Deliveries

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Chapters 55-59

# Multifamily Seller/Service Guide

## Chapter 55

### Documentation and Deliveries



#### 55.1 [Use of Chapter 55 \(12/14/23\)](#)

- a. [Preparing an underwriting package \(12/14/23\)](#)
- b. [Resubmission of an underwriting package \(05/11/10\)](#)
- c. [Preparing documentation required for a Transfer of Ownership \(06/29/17\)](#)
- d. [Notification requirements regarding updates to the underwriting package \(02/16/23\)](#)
- e. [Ability to request additional information \(04/13/23\)](#)

#### 55.2 [Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership \(02/27/25\)](#)

#### 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/Service by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Service 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/Service, or
  - The *Applicable Freddie Mac Multifamily Regional Office*, for all other Seller/Service.
- 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 (02/27/25)**

[a](#) [b](#) [c](#) [d](#) [e](#) [f](#) [g](#) [h](#) [i](#) [j](#) [k](#) [l](#) [m](#) [n](#) [o](#) [p](#) [q](#) [r](#) [s](#) [t](#) [u](#) [v](#) [w](#) [x](#) [y](#) [z](#)

Document	Requirements
<b>501(c)(3) Due Diligence Checklist</b>	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide Freddie Mac with a 501(c)(3) Due Diligence Checklist if the bonds for which Freddie Mac is providing the bond credit enhancement are 501(c)(3) bonds.



Document	Requirements
<b>Access easement and Essential Facilities and/or Recreational Facilities easement documentation</b>	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"> <li>• If the Property shares primary ingress and/or egress with adjacent or neighboring properties (including another phase of a phased development) via an easement or private road, documentation in accordance with Sections 8.6 and 8.8, as well as a (i) preliminary legal issues memorandum (PLIM) that either (x) confirms the access complies with the requirements set forth in Section 8.8, or (z) a legal analysis of what requirements are not satisfied and the Seller's counsel's recommendations for acceptability, (ii) a copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable, and (iii) an opinion from a land use attorney if applicable, or</li> <li>• If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the owner, documentation in accordance with Sections 8.6 and 8.9, a PLIM that either (i) confirms the Borrower's access to and use of the Essential Facilities and/or Recreational Facilities and amenities comply with the requirements set forth in Section 8.9; or (ii) a legal analysis of what requirements are not satisfied and the Seller's counsel's recommendations for acceptability.</li> <li>• See also "<a href="#">confirmation of or a request for approval of shared facilities or access.</a>"</li> </ul>
<b>Aged Receivables Report</b>	<p>The Seller must review and submit to Freddie Mac a report, if applicable, which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report must accompany all operating statements prepared on an accrual basis. The report should be dated as of the ending T-12 period for the current property financial statement submitted.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p>The document(s) must be certified using the <a href="#">Borrower and Key Borrower Principal Blanket Certification, Form 1112</a>.</p>
<b>Application fee</b>	<p>For Bond Credit Enhancement Mortgages, the Seller must remit the applicable application fee by wire transfer. The Seller must obtain wire transfer instructions from <i>Multifamily TAH Production</i> or the <i>Multifamily TAH Underwriter</i>, for TAH Seller/Serviceers.</p>



Document	Requirements
(for Bond Credit Enhancement Mortgages)	The Seller must send the wire transfer to the attention of <i>Multifamily Cash Management</i> . The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The application fee amount is found in the Commitment.
Appraisal	<p>The Seller must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the <a href="#">Additional Appraisal Requirements Memorandum</a>. 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	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



Document	Requirements
	telephone numbers and e-mail addresses.
<b>Borrower and Key Borrower Principal Blanket Certification, Form 1112</b>	<p><a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>, must be used to certify the following documentation:</p> <ul style="list-style-type: none"> <li>• Property Financial Statements (Historical and Budgeted)</li> <li>• Rent Roll</li> <li>• Real Estate Schedule</li> <li>• Financial Statement</li> <li>• Other documentation, as applicable (i.e., Aged Receivable Report, Seniors Housing agreements and contracts, Seniors Housing list of FF&amp;E and motor vehicles, Liquidity verification documentation, etc.)</li> </ul> <p><a href="#">Form 1112</a> 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 <a href="#">Form 1115, Borrower and Key Borrower Principal Certificate</a>, will remain in that form and is not covered by the <a href="#">Form 1112</a>.</p>
<b>Borrower and Key Borrower Principal Certificate, Form 1115</b>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with the <a href="#">Form 1115, Borrower and Key Borrower Principal Certificate</a>, executed by each Borrower or Key Borrower Principal.</p> <p><a href="#">Form 1115</a> requests certification of the following information from Borrowers and Key Borrower Principals:</p> <ol style="list-style-type: none"> <li>1. Past mortgage payment and default experience</li> <li>2. History of criminal, administrative, and/or litigation proceedings</li> </ol> <p><a href="#">Form 1115</a> 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 <a href="#">Form 1115</a>. 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 <a href="#">Form 1115</a> unless specifically requested by Freddie Mac.</p>
<b>Borrower's budgeted property financial statements</b>	See " <a href="#">property financial statements</a> ."
<b>Breakdown of construction costs</b>	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see "<a href="#">capital improvement documentation</a>."</p> <p>The document(s) must be certified using <a href="#">Borrower and Key Borrower Principal Blanket Certification, Form 1112</a>.</p>
<b>Building code violation documentation</b>	<p>The Seller must provide building code violation documentation in one of two ways:</p> <ul style="list-style-type: none"> <li>• In the form of a letter or other documentation from the local building code enforcement office which must verify that:             <ul style="list-style-type: none"> <li>○ Any prior building code violations have been corrected</li> <li>○ The Property is currently in compliance with all applicable building codes</li> </ul> </li> <li>• Verification of the above as part of the zoning report or <a href="#">Form 1108, Physical Risk Report</a>, for a Mortgage that meets all of the following conditions:             <ul style="list-style-type: none"> <li>○ The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less</li> </ul> </li> </ul>



Document	Requirements
	<p>in the aggregate</p> <ul style="list-style-type: none"> <li>○ The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage</li> </ul> <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>
<b>Calculation of prepayment premium</b>	For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.
<b>Capital improvement documentation</b>	<p>When required by Freddie Mac, the Seller must submit:</p> <ul style="list-style-type: none"> <li>• For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction.</li> <li>• For any major past renovations, a summary of these renovations and documentation concerning the costs.</li> <li>• For a Mortgage whose original principal balance is greater than \$100 million without any construction or major renovation planned for the Property, a statement that no construction or major renovation is planned during the term of the Mortgage.</li> </ul> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Certification — Organizational Chart, Form 1114</b>	A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new <a href="#">Form 1114, Certification — Organizational Chart</a> .
<b>Certificate of Good Standing from the Construction Lender</b>	A letter or other documentation certifying that the Borrower is in good standing under the terms of the Construction Loan.
<b>Certification Regarding Payment of Fees and</b>	For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement Program, the Seller must provide a copy of the <a href="#">Certification Regarding Payment of Fees and Expenses of Freddie</a>





Document	Requirements
<b>Expenses of Freddie Mac's Outside Counsel</b>	<a href="#">Mac's Outside Legal Counsel</a> , available via FreddieMac.com, in accordance with Section 28.8(d).
<b>Certified cost accounting</b>	<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 <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Certified Organizational Chart</b>	An Organizational Chart that is certified using <i>Certification – Organizational Chart</i> , <a href="#">Form 1114</a> .
<b>Commercial lease documentation</b>	<p>The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.</p> <p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the residential and commercial lease portions of the Property's income.</p> <p>If income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac in connection with a certain commercial lease, the Seller must provide a completed Commercial Lease Analysis for such lease. The <a href="#">Commercial Lease Analysis</a> form is available at <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>.</p> <p>See Section 8.11 for requirements regarding commercial lease SNDAs, subordinations, and estoppels; see Section 8.2(b) for commercial use requirements.</p>
<b>Complete Borrower/Key Borrower Principal Due Diligence Package</b>	<p>A Complete Borrower/Key Borrower Principal Due Diligence Package consists of <a href="#">Form 1115, Borrower and Key Borrower Principal Certificate</a>; <a href="#">Form 1116, Real Estate Schedule</a>; certified current financial statements for the Borrower and Key Borrower Principals; a credit report for Guarantors that are individuals; <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>; 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
<b>Condominium Analysis</b>	<p>If the Property is subject to a condominium regime, the Seller must submit the following information to Freddie Mac:</p> <ul style="list-style-type: none"> <li>• The total number of units subject to the Condominium regime</li> <li>• The number of Condominium Units the Borrower owns</li> <li>• The percentage of Borrower's undivided interest in the common elements of the Condominium</li> <li>• If the Borrower does not own 100 percent of the real property that is subject to the Condominium regime, whether the Property is               <ul style="list-style-type: none"> <li>○ A "Partial Condo", where the Property consists of all of the residential units in the Condominium but there are commercial, office, parking or other Condominium Units that will not be part of the collateral for the Mortgage</li> <li>○ A "Fractured Condo", where the Property does not consist of all of the residential units in the Condominium and some of the residential Condominium Units have been sold to third party purchasers</li> </ul> </li> <li>• The number of members that comprise the board of directors of the Condominium association ("Condominium Association") and the number of members of the board of directors of the Condominium Association that the Borrower controls</li> </ul> <p>This information may be included in the Mortgage Transaction Narrative Analysis.</p>
<b>Confirmation of compliance or a request for approval of shared facilities or access</b>	<p>If any on-site or off-site facilities or access are shared, the Seller must submit in a preliminary legal issues memorandum (PLIM) either (i) a confirmation that any such sharing arrangement meets the requirements of Sections 8.6, 8.8 and 8.9, or (ii) a request for Freddie Mac approval of the requirements set forth in Section 8.8 or 8.9 that are not satisfied, including the Seller's counsel's recommendations for acceptability.</p>
<b>Construction completion documents</b>	<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"> <li>• Post-construction analysis report               <ul style="list-style-type: none"> <li>○ Architect's certificate of substantial completion</li> <li>○ Final punch list from the architect of record</li> <li>○ Final payment certification</li> <li>○ Final lien waiver from the general contractor</li> <li>○ Release of payment and performance bonds</li> <li>○ Release of bonds required by any governmental authority</li> <li>○ Final certificate(s) of occupancy</li> <li>○ Reserve analysis, if not completed previously or if revisions to the previously completed analysis are recommended</li> <li>○ A summary of all change orders and an analysis of all material changes, as defined in Section 63.4(c)</li> </ul> </li> <li>• A summary analysis, prepared by the Seller/Service's Chief Architect/Engineer, indicating that the finished project has been completed, lien-free and in accordance with all other applicable requirements, substantially in accordance with the plans and specifications reviewed at the issuance of the Forward Commitment</li> <li>• Environmental assessment report</li> <li>• A certified cost accounting of total project costs, including hard and soft costs</li> </ul> <p>See Section 63.5 for additional information.</p>
<b>Construction documentation for Forward Commitments</b>	<p>For a review by Freddie Mac, the Seller must provide:</p> <ul style="list-style-type: none"> <li>• The final pre-construction analysis report described in Section 63.3(a)</li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>A narrative summary, prepared by the Seller's Chief Architect/Engineer, as outlined in Section 63.3(c)</li> </ul>
<b>Cooperative analysis</b>	<p>If the Property is owned by a cooperative housing corporation, the Seller must submit to Freddie Mac a cooperative analysis that includes</p> <ol style="list-style-type: none"> <li>The following information as it pertains to the sellout of the cooperative:             <ul style="list-style-type: none"> <li>Date property converted to cooperative</li> <li>Percentage of units sold to owner-occupants (including sublets)</li> <li>Percentage of units sold to owner-occupants that are sublet</li> <li>Percentage of units sold to non-sponsor owned investors</li> <li>Percentage of units held by sponsor or sponsor-related entities</li> </ul> </li> <li>Current financial statements for any one owner that holds 20 percent or more of the Cooperative's shares. If an owner of 20 percent or more is a corporation, partnership or other legal entity, the Seller must deliver financial statements for each officer, general partner or trust beneficiary, including sponsors and beneficiaries that hold unsold shares. All such financial statements must be certified or audited.</li> <li>Maintenance fee delinquency report for the previous 12 months showing the number of units delinquent for each month and the corresponding dollar value</li> <li>Analysis of the sponsor's current cash flow from unsold units (rent roll detailing rent, maintenance for each unit, and debt service, if applicable)</li> <li>Analysis of the sponsor's ability to support negative cash flow from unsold units, if applicable</li> <li>Analysis of pro forma Income and Expense Statements showing the economic results if the Property was operated as a rental and as a cooperative</li> </ol>



Document	Requirements
	<ol style="list-style-type: none"> <li>7. Analysis of the estimated value of the Property as a cooperative (co-op) and as a rental project</li> <li>8. Information on unit sales over the last 12 months including date of sale, unit number, unit type and sale price. If sales over the last 12 months do not include all unit types, provide information on earlier sales so that all unit types are represented</li> <li>9. Analysis of maintenance costs compared to market rents for each unit type</li> </ol>
<b>Credit reports</b>	<p>The Seller must provide to Freddie Mac a current credit report on each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must:</p> <ol style="list-style-type: none"> <li>1. Be reviewed by the Seller</li> <li>2. Be issued by an independent credit reporting agency acceptable to Freddie Mac</li> <li>3. Be dated within 60 days before delivery to Freddie Mac</li> <li>4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings</li> <li>5. List any other debts</li> <li>6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records</li> </ol>
<b>Current property financial statements</b>	See <a href="#">“property financial statements.”</a>
<b>Delegated property inspection letter</b>	See <a href="#">“property inspection documentation.”</a>
<b>Document analysis by Seller’s counsel</b>	The Seller must provide an analysis by Seller’s counsel of certain legal documents affecting the Property, as described in Section 6.7.
<b>Effective annual rental rate</b>	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



Document	Requirements
	completion of construction, whichever is less.
<b>Employer Enabled Permanent Supportive Housing (EPSH) Borrower Certification, Form 1134</b>	<p><a href="#">Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification</a>, 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 <a href="#">Form 1134</a>).</p> <p>The <a href="#">Form 1134</a> will include the number of EPSH units at the Property as well as the total annualized discounted rent for those units.</p> <p>The <a href="#">Form 1134</a> must be executed by the Borrower and provided with the full underwriting package for a loan to qualify for the benefits described in the <a href="#">EPSH Fact Sheet</a>.</p>
<b>Employer Enabled Permanent Supportive Housing (EPSH) Partnership Agreement</b>	<p>A fully executed agreement between the Sponsor and a Nonprofit Entity to offer discounted units to employees sourced via the Nonprofit Entity's job matching network for those at risk of homelessness without subsidy or financial incentive to the Sponsor. The agreement should quantify the discount to be offered if a candidate is hired and must be provided as an exhibit to <a href="#">Form 1134, Employer Enabled Permanent Supportive Housing Borrower Certification</a>, for a loan to qualify for the benefits described in the <a href="#">EPSH Fact Sheet</a>.</p>
<b>Environmental report and alternatives</b>	<p>The Seller must provide to Freddie Mac an environmental report meeting the requirements of Chapter 61.</p> <p><u>Supplemental Mortgages</u></p> <p>An environmental report is required under this product when</p> <ul style="list-style-type: none"> <li>• The proposed Mortgage is a split Mortgage, or</li> <li>• An acceptable environmental report was not completed upon origination of the first Mortgage, or</li> <li>• An environmental issue was identified subsequent to the origination of the first Mortgage, or</li> <li>• Freddie Mac, in its sole discretion, determines that an environmental report is needed.</li> </ul>



Document	Requirements
	<p><u>For each Supplemental Mortgage for which Freddie Mac does not require an environmental report, the Seller must</u></p> <ul style="list-style-type: none"> <li>• Retain a qualified environmental consultant in accordance with Section 61.17 to perform a neighborhood hazardous waste activity review in compliance with Section 61.9, and submit the environmental consultant's analysis and conclusions, and</li> <li>• Confirm that the Borrower has complied with any conditions or requirements in the first Mortgage regarding an identified environmental hazard or Mold and has completed any required work.</li> </ul> <p>For TAH Mortgages under a Forward Commitment, see Section 61.1(b)(1) for the requirements applicable to an environmental report prepared by a consultant retained or directed by the Borrower.</p>
<b>EPA Energy Star Score</b>	A score obtained using the U.S. Environmental Protection Agency's (EPA's) Portfolio Manager®, used by Borrowers seeking Green Advantage benefits.
<b>Equity Conflict of Interest statement</b>	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"> <li>• With the preliminary underwriting package (for a Seller utilizing the early rate-lock delivery option) or the full underwriting package (for a Seller utilizing the standard delivery option), or</li> <li>• For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i></li> </ul>
<b>Evidence of Insurance</b>	<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"> <li>• Fully completed <a href="#">Form 1133, Seller/Servicer Certification of Insurance Coverage</a>, via the Insurance Compliance Tool (ICT)</li> <li>• The documents listed in Sections 31.20(a) and 31.20(b), as applicable</li> </ul> <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the</p>





Document	Requirements
	<p>Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p> <p>If the Borrower's insurance will not meet the Freddie Mac insurance requirements, the Seller/Servicer must request a waiver prior to the Origination Date from the</p> <ul style="list-style-type: none"> <li>• <i>Multifamily TAH Underwriter</i>, for Targeted Affordable Housing Mortgages</li> <li>• <i>Applicable Freddie Mac Multifamily Regional Office</i>, for all other Mortgages.</li> </ul>
<b>Evidence of Tax Abatement</b>	<p>For Properties benefiting from real estate tax abatements, including payment in lieu of taxes (PILOT), the Seller must provide documentation from the taxing authority or the governing body confirming:</p> <ul style="list-style-type: none"> <li>• That the Property or the Borrower, as applicable, has qualified for the Tax Abatement</li> <li>• The amount of annual tax to be paid, if any</li> <li>• The term of the Tax Abatement</li> <li>• Any other requirements of the Tax Abatement</li> </ul> <p>See the Tax Abatement/Exemption/PILOT Questionnaire for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The <a href="#">Tax Abatement/Exemption/PILOT Questionnaire</a> is found on the legal document pages of <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>.</p>
<b>Exclusionary List</b>	See Section 2.18.
<b>Financial statements of Borrower and Key Borrower Principals – certified</b>	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p>



Document	Requirements
	<ul style="list-style-type: none"> <li>• Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key Borrower Principal</li> <li>• Federal income tax returns for the Borrower for the most recent taxable year, if requested</li> </ul> <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p> <p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"> <li>• All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities</li> <li>• All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation</li> <li>• Any factors that may materially affect the Borrower or Key Borrower Principal's financial position immediately or during the term of the Mortgage</li> </ul> <p>The Seller must review the financial statements.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</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</p>



Document	Requirements
	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.
<b>Financial statements – property</b>	See “ <a href="#">property financial statements</a> .”
<b>Flood zone determination (FZD)</b>	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
<b>Green Building Certificate</b>	<p>Any industry-standard green rating or certification, when required for Green Certified buildings. Acceptable green ratings or certifications include</p> <ol style="list-style-type: none"> <li>1. EarthCraft, South Face</li> <li>2. ENERGY STAR for Multifamily Existing Buildings, High Rise, New Construction, EPA</li> <li>3. Green Communities, Enterprise Community Partners</li> <li>4. Green Globes, Green Building Initiative</li> <li>5. GreenPoint Rated, Build It Green</li> <li>6. Leadership in Energy and Environmental Design (LEED), US Green Building Council</li> <li>7. National Green Building Standard, Home Innovation Research Labs</li> <li>8. Passive House Institute US (PHIUS) Certified</li> <li>9. Passive House Institute (PHI) Certified and/or</li> <li>10. Any other approved certification provided by the applicable authority</li> </ol>
<b>Green Retrofits Certification, Form 1209</b>	The Seller must provide Freddie Mac with <a href="#">Form 1209, Green Retrofits Certification</a> , 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.



Document	Requirements
	<p><a href="#">Form 1209</a> requests certification of the energy and/or water efficiency improvements currently in place at the Property as of the completion date of <a href="#">Form 1209</a> and made during the then current calendar year and the preceding two calendar years.</p> <p>The executed and completed <a href="#">Form 1209</a> must be submitted as part of the full underwriting package (or as part of the preliminary underwriting package in the case of an early rate lock option). For TAH TEL conversions, the executed form must be submitted as part of the full underwriting package at the time of the TAH TEL Conversion.</p>
<b>Ground lease documentation</b>	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all of the following, with a copy of each to the applicable <i>Multifamily Attorney</i>. See Chapter 30.</p> <ul style="list-style-type: none"> <li>• A copy of the ground lease and all existing amendments</li> <li>• An analysis of the ground lease by Seller's counsel using the Ground Lease Analysis <a href="#">form</a> available on FreddieMac.com</li> <li>• Any other items required by Chapter 30</li> </ul>
<b>Historical property financial statements</b>	See " <a href="#">property financial statements</a> ."
<b>Housing Assistance Payments (HAP) contract</b>	<p>The Seller must provide, if applicable:</p> <ul style="list-style-type: none"> <li>• Copies of the original Section 8 HAP Contract along with all amendments and renewals, including evidence of the currently applicable unit rents approved by the US Department of Housing and Urban Development (HUD) or the HAP Contract administrator</li> <li>• <a href="#">Section 8 Housing Assistance Payments Contract Questionnaire</a> (available at <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>), completed by both Seller and Seller's counsel</li> <li>• Evidence of 2530 clearance for Borrower, Borrower Principals and Management Agent</li> <li>• Management and Occupancy Review MOR Form</li> <li>• Current REAC Score</li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>The most recent HUD Inspection Report, if the current REAC Score is less than 80 and the Property is required to undergo an annual HUD inspection</li> </ul> <p>See “<a href="#">rent, income and use restriction documentation</a>.”</p>
<b>Land Use Restriction Agreement (LURA)/ regulatory agreement</b>	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property (for tax-exempt bonds, if applicable, and LIHTC).</p> <p>See also “<a href="#">rent, income and use restriction documentation</a>.”</p>
<b>Legal Issues Analysis (LIA) form</b>	<p>The LIA is the form used to prepare the preliminary legal issues memorandum (PLIM) at loan origination. The LIA (and any required updates as described in the LIA instructions) must meet the requirements of Section 6.4. The <a href="#">LIA</a> is available at <a href="http://mf.freddie.mac.com/lenders/legal">mf.freddie.mac.com/lenders/legal</a>.</p> <p>See the entry for <a href="#">preliminary legal issues memorandum (PLIM)</a>, below, for the analysis required for Servicing transactions.</p>
<b>Liquidity verification documentation</b>	<p>Each Key Borrower Principal with Ultimate Control and each Guarantor meeting the definition of (i) a First-Time Sponsor, (ii) Limited Multifamily Experience Sponsor, or (iii) Rapid Growth Sponsor must provide bank or brokerage statements either (i) reflecting an average balance for the preceding 12-month period or (ii) from each of the preceding three consecutive months.</p> <p>The bank or brokerage statement(s) must be dated within 60 days of delivery of the full underwriting package (when providing statements for each of the preceding three consecutive months, the most recent statement must be dated within 60 days of delivery of the full underwriting package and the average of the three months will be used).</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <p>For Key Borrower Principals noted above, the Liquidity reported in the bank or brokerage statements will be the basis of any Liquidity determination, including as it relates to certain Liquidity thresholds required by the Guide.</p>



Document	Requirements
	<p>Additionally, the bank or brokerage statements provided must support the Liquidity represented in the Key Borrower Principal's certified financial statement. Material deviations require an explanation, acceptable to Freddie Mac, which must be included in the Mortgage Transaction Narrative Analysis.</p> <p>Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor, Limited Multifamily Experience Sponsor, or Rapid Growth Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using <a href="#">Form 1112</a>.</p> <p>U.S. Public Companies and Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors are not required to submit Liquidity verification documentation.</p>
<b>Low-Income Housing Tax Credit (LIHTC) Compliance/Monitoring for Income Averaging documentation</b>	<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>
<b>Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</b>	<p>The Seller must provide a copy of:</p> <ul style="list-style-type: none"> <li>• The allocation letter</li> <li>• The IRS Form 8609, <i>Low-Income Housing Credit Allocation and Certification</i>, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service</li> <li>• The IRS Form 8823, <i>Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition</i>, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code (IRC) §42 from both the property manager and the Borrower Principal</li> </ul> <p>In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties.</p>



Document	Requirements
	See also <a href="#">“rent, income and use restriction documentation.”</a>
<b>Management plan or management agreement</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• If the Property is managed by the Borrower or the Borrower Principal, the Seller must deliver the Borrower’s management plan</li> <li>• If a management firm is managing the Property, the Seller must include a copy of the management agreement for the Property</li> <li>• If the management agreement will not be assigned to the lender, then the agreement must be terminable by the property owner upon not more than 30 days’ notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee</li> </ul>
<b>Manufactured Housing Community (MHC) (unless MHROC, government-owned, or non-profit-owned)</b>	<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> <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</p>





Document	Requirements
	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.
<b>Manufactured Housing Resident-Owned Community (MHROC) Analysis</b>	For a Manufactured Housing Resident-Owned Community (MHROC) Mortgage, a copy of the <a href="#">Manufactured Housing Resident-Owned Community Analysis</a> , available on FreddieMac.com, with a copy to the applicable <i>Multifamily Attorney</i> .
<b>Market study</b>	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"> <li>1. Market area definition</li> <li>2. Physical and location analysis</li> <li>3. Economic analysis</li> <li>4. Demographic analysis</li> <li>5. Supply analysis</li> <li>6. Demand analysis</li> <li>7. Capture rate analysis by unit type</li> <li>8. Recommendation</li> </ol> <p>Freddie Mac will also accept a market study incorporated into the Appraisal, per the requirements of Section 60.20.</p> <p>For a Forward Commitment, the market study must support the underwriting assumptions.</p>
<b>Master lease documentation</b>	<p>For a Property subject to a master lease, the Seller must provide:</p> <ul style="list-style-type: none"> <li>• A copy of the master lease and all existing amendments</li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>An analysis of the master lease by Seller's counsel in accordance with Section 6.7</li> </ul>
<b>Mortgage transaction narrative analysis</b>	<p>The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller's option) may be based on the <a href="#">Mortgage Transaction Narrative Analysis – Best Practices</a>.</p> <p><b>a. The mortgage transaction narrative analysis must contain the following:</b></p> <ol style="list-style-type: none"> <li>Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage</li> <li>Property's physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages)</li> <li>Property's financial analysis (profile and trend)</li> <li>Evaluation of balloon risk that includes the Borrower's ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity</li> <li>Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment</li> <li>Market analysis (occupancy, supply and concessions)</li> <li>History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds</li> <li>Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including:             <ul style="list-style-type: none"> <li>An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor, a Limited Multifamily Experience Sponsor, or a Rapid Growth Sponsor, as provided in Section 9.2(d),</li> <li>An estimate of the financial capacity of the Borrower and each Key Borrower Principal (that is, estimated net worth, Liquidity and contingent liabilities), and</li> </ul> </li> </ol>



Document	Requirements
	<ul style="list-style-type: none"> <li>For TAH Mortgages, a summary of the qualifications of any Borrower Principal whose experience is significant to the success of the deal.</li> </ul> <p>9. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee.</p> <p>For Senior Housing Mortgages:</p> <ul style="list-style-type: none"> <li>The State and / or regional location of all properties under management</li> <li>The type and number of acuity of the units managed or owned, and</li> <li>For Seniors Housing Mortgages that do not require a Seniors Housing Liability Assessment, a description of the depth and level of experience of all key personnel on the onsite, corporate, and regional leadership team of the property manager or Operator</li> </ul> <p>10. Review of third-party reports, including the Seller/Service's reviews of and comments on the Appraisal, environmental and property condition reports (with full underwriting packages only)</p> <p>11. Loan history if there is an existing mortgage on the Property</p> <p>12. Proposed sources and uses of funds</p> <p>13. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or military population) (this item is not required for Seniors Housing Mortgages)</p> <p>14. Cash equity at risk</p> <p>15. Any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7</p> <p>16. Any exception requests</p> <p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8.15(a).</p>



Document	Requirements
	<p><b><u>b. In addition to items a. 1 – 15 above, for Seniors Housing Mortgages include:</u></b></p> <ol style="list-style-type: none"> <li>1. Property information, including               <ol style="list-style-type: none"> <li>a. Property type (Independent Living Property, Assisted Living Property, Alzheimers/Dementia Care Property or Continuing Care Retirement Community (CCRC))</li> <li>b. Number of units and beds</li> <li>c. Average monthly rent</li> <li>d. Percentage of skilled nursing beds, if applicable</li> <li>e. Percentage of net income derived from skilled nursing beds, if applicable</li> </ol> </li> <li>2. An evaluation of the Borrower's and Third-party Operator's (if any) experience at the Property and its other properties</li> <li>3. The discussion of surrounding property uses must also include hospitals, seniors centers, libraries, restaurants and hotels</li> <li>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.</li> </ol> <p><b><u>c. In addition to items a. 1 – 15 above, for a Supplemental Mortgage behind a Securitized First Mortgage, include:</u></b></p> <ol style="list-style-type: none"> <li>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</li> <li>2. Identification of Securitization pool</li> <li>3. Delinquency report</li> <li>4. Most recent inspection report</li> </ol> <p><b><u>d. In addition to items a. 1 – 15 above, for a Mortgage securing a Property subject to a condominium regime:</u></b></p> <p>See “<a href="#">Condominium Analysis</a>.”</p>



Document	Requirements
	<p><b><u>e. In addition to items a. 1-15 above, for a Mod Rehab Mortgage:</u></b></p> <ol style="list-style-type: none"> <li>Summary of renovation scope, budget, and renovation and lease-up schedule.</li> <li>Tax analysis for both the as-is value and the hypothetical as-if renovated and stabilized today value with support tailored to the Property's jurisdiction.</li> <li>Sponsor's experience and success with other moderate rehabilitation or value-add projects in recent history with detailed explanation of the extent of the renovations and rent appreciation post renovations.</li> <li>Analysis of any anticipated rent increases or expense savings as a result of the planned renovations at the subject property.</li> </ol>
<b>Occupancy history</b>	<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 <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Optigo Lender's Fee Certification – Conventional and Targeted Affordable Housing form</b>	<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>
<b>Organizational Charts – Borrower, Guarantor (not in Borrower's organizational structure), Master Tenant, Operator, or Pre-Approved Transferee (not in Borrower's organizational structure)</b>	<p>For any entity that is a Borrower, a Guarantor not in the Borrower's organizational structure, Pre-Approved Transferee not in the Borrower's organizational structure, Master Tenant of a Shariah compliant loan, DST loan or other master lease structure or Operator of a Seniors Housing Property, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity:</p> <ul style="list-style-type: none"> <li>With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in Borrower's organizational structure, Pre-Approved Transferee not in the Borrower's organizational structure, Master Tenant or Operator including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust</li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>• That is a Non-U.S. Equity Holder</li> <li>• For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer</li> <li>• That directly or indirectly Controls Borrower, Guarantor, Pre-Approved Transferee not in the Borrower's organizational structure, Master Tenant or Operator including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust</li> </ul> <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>The Seller/Service's counsel must review the Organizational Chart.</p> <p>See <a href="#">Guidance – Organizational Charts</a> at <a href="http://mf.freddiemac.com/lenders/uw">mf.freddiemac.com/lenders/uw</a>.</p>
<b>Payroll schedule</b>	<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 <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Photographs</b>	<p>The Seller must submit to Freddie Mac photographs clearly illustrating all aspects of the Property, including exterior, interior and street scenes.</p>
<b>Physical Risk Report – Form 1108</b>	<p>The Seller/Service has the option to provide to Freddie Mac a completed <a href="#">Form 1108, Physical Risk Report</a>, meeting the requirements of Chapter 66 in lieu of an environmental report and a property condition report for a Mortgage that meets all of the following conditions:</p> <ul style="list-style-type: none"> <li>• The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the</li> </ul>



Document	Requirements
	aggregate <ul style="list-style-type: none"> <li>The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage</li> </ul>
<b>Post-construction analysis report</b>	<p>A post-construction analysis report meeting the requirements of Section 63.5 is required.</p> <p>This report is required for Forward Commitments and for Mod Rehab Mortgages at completion of renovation. See Section 39.9 for submission of a post-construction analysis report for a Mod Rehab Mortgage.</p>
<b>Pre-construction analysis report</b>	<p>A pre-construction analysis report meeting the requirements of Section 63.3(a) is required.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>
<b>Preliminary legal issues memorandum (PLIM)</b>	<p>The Legal Issues Analysis form is used to prepare the preliminary legal issues memorandum (PLIM) prior to loan origination.</p> <p>The Preliminary Legal Issues Memorandum Form – Servicing is the form used to prepare a PLIM meeting the requirements of Section 6.4 for Servicing transactions.</p>
<b>Property condition report</b>	<p>The Seller must provide to Freddie Mac a property condition report meeting the requirements of Chapter 62.</p> <p>For Forward Commitments and Mod Rehab Mortgages at Interim Phase underwriting, the pre-construction analysis report replaces the standard property condition report. See Section 63.3(a) for requirements for the pre-construction analysis report.</p>





Document	Requirements
<b>Property financial statements</b>	<p>The Seller must provide to Freddie Mac financial statements as specified below.</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"> <li> <b>Historical property financial statements</b> <p>The Seller must provide historical property financial statements for the most recent three years, or since the completion of construction of the Property, whichever is less, and including the net rental income, concessions and gross potential rent.</p> <p>Additionally, Seller must provide a statement for the twelve-month period prior to the month in which the Borrower has made the financing request (current property financial statement in a T-12 format). If available, this statement must reflect monthly operations for each of the preceding 12 months. If a monthly summary statement is not available, the Seller must provide a current fiscal year-to-date Property financial statement and a monthly statement for each of the three months prior to the month in which the Borrower has made the financing request.</p> <p>In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping months between T-12 and the prior year property financial statement.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> </li> <li> <b>Borrower's budgeted property financial statements</b> <p>The Borrower's budget for the following 12-month period</p> <p>The document(s) must be certified using <a href="#">Form 1112</a>.</p> <p>The Seller must review the property financial statements, which must include income and expense statements.</p> <p>If the financial statements are audited, they must include a statement of changes in financial position and all notes.</p> </li> </ul>



Document	Requirements
	<p>For a refinance of an MHC with Manufactured Home(s) owned by the Borrower or an Affiliate of the Borrower, the Seller must provide income and expense statements of the Manufactured Home(s) which must be certified using <a href="#">Form 1112</a>.</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>
<b>Property inspection documentation</b>	<ul style="list-style-type: none"> <li>• Prior to early rate-lock, the Seller must complete and document the inspection described in Section 8.15(a)</li> <li>• At full underwriting, the Seller must complete and document the property inspection described in Section 8.15(b)</li> <li>• Prior to commitment under a Forward Commitment, the Seller must conduct a Forward Commitment Property Inspection as described in Section 8.16</li> <li>• Prior to conversion under a Forward Commitment, the Seller must conduct a complete property inspection as described in Section 8.15(b)</li> </ul> <p>The inspection requirements must be completed within 90 days of Freddie Mac's receipt of the applicable underwriting package.</p> <p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form.</p> <p>If the Seller inspection was not completed on the same day as the inspection for either the Appraisal and/or the physical condition report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p> <p>See Section 8.15 for additional information regarding property inspection requirements.</p> <p>For (i) a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, or (ii) a Supplemental Mortgage where the Seller both originated the senior Mortgage and is the current Servicer of the</p>



Document	Requirements
	senior Mortgage, the Seller must also provide the most recent annual servicing inspection report if such inspection report is not already present in DMS for the existing Mortgage.
<b>Proposed transaction schedule</b>	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.
<b>Purchase agreement documentation</b>	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"> <li>• A copy of the purchase agreement and all amendments</li> <li>• An analysis of the purchase agreement and all amendments by Seller's counsel using the <a href="#">Purchase Agreement Analysis</a> form</li> </ul> <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>
<b>Quote</b>	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.
<b>Real Estate Schedule, Form 1116</b>	<p>The Seller must provide to Freddie Mac a <a href="#">Form 1116, Real Estate Schedule</a>, for all real estate in which any Key Borrower Principal that is not newly formed currently has a current ownership interest as a Borrower or Key Borrower Principal.</p> <p>If alternative documentation to <a href="#">Form 1116</a> is submitted, this documentation must be materially similar, include all key data points necessary to properly assess risk, and be acceptable to Freddie Mac.</p> <p>An Excel version of the Real Estate Schedule is preferred and must be submitted for (i) First-Time Sponsors, (ii) Limited Multifamily Experience Sponsors, or (iii) Rapid Growth Sponsors.</p> <p>NOTE: A Real Estate Schedule is not required for the Seller/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>



Document	Requirements
	<p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p> <ul style="list-style-type: none"> <li>• Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following:               <ul style="list-style-type: none"> <li>○ The full recourse obligation to the lender, including the entire amount of joint and several guarantees</li> <li>○ For loans on properties under construction, the loan amount drawn to date and the as-is value</li> </ul> </li> <li>• Provide a written explanation of any non-performing assets in its portfolio</li> </ul> <p>LIHTC Investors that are U.S. publicly traded entities are not required to submit <a href="#">Form 1116</a> unless specifically requested by Freddie Mac.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <p>If the Property is a Cooperative or MHROC, the <a href="#">Form 1116</a> may be waived.</p>
<b>Real Estate Schedule Addendum – Seniors Housing</b>	See “ <a href="#">Seniors Housing Real Estate Schedule Addendum</a> .”
<b>Real estate tax bill</b>	<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>
<b>Registration of rental units (rent control/ stabilization)</b>	The Seller must provide to Freddie Mac proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property. Freddie Mac may require similar proof of compliance with such requirements for prior years and may require



Document	Requirements
	other evidence of compliance with State or local rent control or stabilization laws in other States.
<b>Renovation documentation – Mod Rehab Mortgages and Preservation Rehabilitation Mortgages</b>	<p>For all Mod Rehab Mortgages, the Seller/Serviceicer must provide the documentation listed below. For a Preservation Rehabilitation Mortgage, Freddie Mac may request the Seller/Serviceicer to include the following documentation in the underwriting package. The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <ul style="list-style-type: none"> <li>• Construction budget – hard costs and material quantities</li> <li>• Development budget – total project costs, including soft costs, financing costs, land acquisition expenses and hard costs</li> <li>• Construction schedule – the timeline for major construction activities</li> <li>• Lease-up schedule – the timeline for the lease-up</li> <li>• Final plans and specifications – a clear picture of the Property's appearance and new features post-renovation. Plans and specifications are considered to be final when they are stamped and sealed by the associated professional</li> <li>• Construction contract – the contract between the Borrower and the general contractor for the completion of all planned renovations</li> <li>• Development team's qualifications – key staff resumes, a summary of experience with similar projects and years in business. Members of the development team include the sponsor, the architect, the general contractor and the management company</li> <li>• Servicing team's qualifications – staff resumes and summary of experience with similar projects. Members of the Servicing team include individuals responsible for administration and those responsible for physical inspections</li> </ul> <p>Work in Progress: If renovation work commenced before underwriting, additional information is required. The document(s)</p>



Document	Requirements
	<p>must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <ul style="list-style-type: none"> <li>• Sponsor certification regarding all work completed and costs expended</li> <li>• All executed change orders to date</li> <li>• All construction monitoring reports to date.</li> </ul> <p>For any new construction (i.e., new residential or amenity building), a more detailed breakout within the budget, schedule, and plans/specs is required. The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <p>See Chapter 63 for additional information about renovation documentation.</p>
<b>Rent, income and use restriction documentation</b>	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p> <p>If applicable, see also:</p> <ul style="list-style-type: none"> <li>• <a href="#">Land Use Restriction Agreement (LURA)/Regulatory Agreement</a> (for tax-exempt bonds, if applicable, and LIHTC)</li> <li>• <a href="#">Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</a></li> <li>• <a href="#">Housing Assistance Payments (HAP) contract</a></li> <li>• <a href="#">Registration of rental units (rent control/stabilization)</a></li> </ul>
<b>Rent roll</b>	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at <a href="https://mf.freddiemac.com/docs/rent_roll_template.xls">https://mf.freddiemac.com/docs/rent_roll_template.xls</a>.</p> <ul style="list-style-type: none"> <li>• Is dated within 30 days of the underwriting package submission.</li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>Is complete with respect to the required information below for each unit:</li> </ul> <p><u>For a Property that is not secured by a Seniors Housing Mortgage:</u></p> <ol style="list-style-type: none"> <li>"As of" date of the rent roll clearly indicated within the document</li> <li>Tenant's name(s)</li> <li>Unit number or identification</li> <li>Unit type (number of bedrooms and bathrooms)</li> <li>Square footage of each unit</li> <li>Occupancy status by unit and by bed, if applicable</li> <li>Identification of any employee units, model units, corporate units and units used as rental offices</li> <li>Monthly contract rent</li> <li>Concessions, rebates or discounts given to tenant, if applicable</li> <li>Arrearages owed by tenant, if any</li> <li>Subsidies, if applicable (specify type)</li> <li>Rent controlled or rent stabilized, if applicable</li> <li>Original occupancy date, per tenant</li> <li>Lease commencement date</li> <li>Lease expiration date and renewal options, if any</li> <li>Month-to-month status, per tenant</li> <li>Amount of security deposit held</li> <li>Furnished or unfurnished status</li> </ol>





Document	Requirements
	<p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <p><u>For a Property secured by a Seniors Housing Mortgage:</u></p> <ol style="list-style-type: none"> <li>1. "As of" date of the rent roll clearly indicated within the document</li> <li>2. Tenant's name(s)</li> <li>3. Unit number or identification</li> <li>4. Unit type (number of bedrooms and bathrooms)</li> <li>5. Occupancy status</li> <li>6. Identification of any employee units, model units, corporate units and units used as rental offices</li> <li>7. Monthly rent and concessions, if applicable, without regard to any applicable additional resident fees, subsidies, or concessions, rebates or discounts given to tenant. If Property or resident receives any Medicaid income, Medicaid subsidy/ reimbursement must be listed separately from the rent the resident pays</li> <li>8. Entrance fees, community fees or other upfront fees held or charged (refundable or nonrefundable)</li> <li>9. Additional fees for second residents, if applicable. If the unit has two unrelated occupants, rents for each resident should be combined</li> <li>10. Fees for resident care associated with Activities of Daily Living (ADLs)</li> <li>11. Miscellaneous ancillary fees, such as furniture rental, beautician, unscheduled transportation or interest income</li> <li>12. Arrearages owed by tenant, if any</li> <li>13. Lease commencement date</li> </ol>



Document	Requirements
	<p>14. Original occupancy date, per tenant</p> <p>15. Lease expiration date and renewal options, if any</p> <p>16. Month-to-month status, per tenant</p> <p>17. Amount of security deposit held</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <p><u>For Mortgages originated under a Forward Commitment:</u></p> <ul style="list-style-type: none"> <li>• A rent roll is not required in the full underwriting package for a Mortgage originated for new construction</li> <li>• For a TAH Cash or TAH Bond Credit Enhancement Conversion Underwriting Package, the rent roll must cover the preceding 90 days and must be dated within 45 days of the Conversion</li> </ul> <p>In addition to the rent roll, for an LIHTC Property where the Income Averaging Set-Aside has been applied, the Seller must provide a rent roll analysis confirming that rents on the Origination Date will meet the average AMI requirements.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Residential lease sample</b>	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.
<b>Seismic risk documentation</b>	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 <a href="#">Form 1102, Seismic Risk Assessment Summary</a> .



Document	Requirements
<b>Seller's certification and disclosure of any HUD-2530 issues relating to the Borrower Principal and Property Manager</b>	<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>
<b>Seller's certification regarding compliance with representations and warranties</b>	<p>The Seller must provide to Freddie Mac the following certification in a letter on the Seller's stationery:</p> <p style="padding-left: 40px;">"Seller certifies that it is familiar with and in compliance with the warranties and representations that, pursuant to Chapter 5 of the Freddie Mac <i>Multifamily Seller/Service Guide</i>, it is deemed to make with respect to each Mortgage and related information delivered to Freddie Mac."</p>
<b>Seller's mortgage loan application with Borrower</b>	<p>For all Mortgages, the Seller must provide to Freddie Mac a copy of the mortgage loan application executed by the Borrower and submitted to the Seller. The application must evidence all material terms of the proposed mortgage financing. In addition, for Mortgages submitted under the early rate-lock delivery option, the Seller's application must evidence the Borrower's obligation to pay the Borrower Breakage Fee (see Section 27.2).</p> <p>For any Mortgage, the mortgage loan application must include the following authorization by the Borrower:</p> <p style="padding-left: 40px;">"The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the "Mortgage") to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage."</p> <p>For any cash execution Mortgage, the mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"> <li>• "The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial</li> </ul>



Document	Requirements
	<p>statements from the Borrower outlining the Property's financial performance."</p> <ul style="list-style-type: none"> <li>• "The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac's portfolio."</li> </ul> <p>For a Mortgage originated under the Multifamily Housing Bond Credit Enhancement program, the mortgage loan application must include the following authorization by the Borrower:</p> <p>"The Borrower understands that Freddie Mac intends to credit enhance the mortgage loan for which Borrower is applying (the "Mortgage"). If Freddie Mac credit enhances the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage."</p>
<b>Seller's pro forma property financial statements</b>	<p>The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>
<b>Seniors Housing agreements and contracts</b>	<p>The Seller must provide to Freddie Mac a copy of all potentially material contracts and agreements by the Borrower, manager or operator of the Property related to the ownership and operations of the Seniors Housing Property, acceptable to Freddie Mac, including, but not limited to contracts:</p> <ul style="list-style-type: none"> <li>• For preparing and serving food (not including food supply contracts)</li> <li>• For medical services or healthcare provider agreements, regardless of annual consideration or term, or</li> <li>• Of which the average annual consideration, directly or indirectly, is at least \$50,000</li> </ul>



Document	Requirements
	<p>Generally, copies of contracts for routine maintenance such as landscaping, snow removal or general office equipment are not required.</p> <p>The Seller must also provide a certification from the Borrower listing the contracts that fall into the foregoing categories, and who among the Borrower, operator, and property manager is a party to each contract. If there are no contracts that fall into the foregoing categories, the Seller must provide a certification from the Borrower to that effect.</p> <p>The Legal Issues Analysis must specify (i) any contracts that should be considered material for purposes of the Loan Agreement, and (ii) recommendations regarding assignments of contracts that are not in the Borrower's name.</p>
<b>Seniors Housing Liability Assessment</b>	<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/Service must document the suitability of the professional in the Liability Assessment.</p> <p>The Seniors Housing Liability Assessment must address the following topics:</p> <p><b>1. Professional Qualifications</b></p> <ul style="list-style-type: none"> <li>a. Experience Minimum of five years' experience in geriatrics/long-term-care clinical practices.</li> <li>b. Education Minimum of five years as a Licensed Administrator, licensed practical nurse (LPN) registered nurse (RN), or Physician Extender (PA, RNP)</li> <li>c. References, which address:             <ul style="list-style-type: none"> <li>1. Scope of work</li> </ul> </li> </ul>



Document	Requirements
	<ol style="list-style-type: none"> <li>2. Quality of recommendations given</li> <li>3. Quality of resources provided</li> <li>4. Timeliness of work product</li> </ol> <p>d. Sample work product:</p> <ol style="list-style-type: none"> <li>1. Copy of typical assessment report</li> <li>2. Sample recommendations based on industry exposures</li> <li>3. Sample resources provided to clients to assist in reducing risk to claims</li> <li>4. Training programs offered</li> <li>5. Monitoring programs offered</li> </ol> <p><b>2. Employee Practices</b></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><b>3. Management Practices</b></p> <p>a. Key Topics</p> <ol style="list-style-type: none"> <li>1. Evidence of written employee policies and procedures manual</li> <li>2. Staff orientation, screening and discipline regarding resident care issues</li> </ol> <p>b. List of key Property level staff including:</p> <ol style="list-style-type: none"> <li>1. A list of the key Property level positions</li> </ol>



Document	Requirements
	<ol style="list-style-type: none"> <li>2. The tenure of individuals in their positions at the facility</li> <li>3. The amount of experience the individuals have in the seniors housing industry</li> <li>4. Resumes should be attached to the report</li> </ol> <p>c. Identification of the availability and usage of home health services including:</p> <ol style="list-style-type: none"> <li>1. Identify whether home health services are being used at the Property</li> <li>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</li> <li>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</li> <li>4. Identify whether the home health provider leases space or not at the Property</li> <li>5. Type of services offered by home health agency</li> </ol> <p>d. Risk management policies and procedures, including identifying and analyzing the background/experience of individuals employed by the Borrower or the Operator to handle insurance and risk management matters.</p> <p>e. Corporate / Regional Support and Quality Assurance:</p> <ol style="list-style-type: none"> <li>1. Discussion of the corporate / regional oversight or 3<sup>rd</sup>-party contract of the facility including identification of the corporate / regional staff that visit the Property including their title and frequency of visits</li> <li>2. Copy of any risk management tools and summary reports/ audits, if available</li> <li>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</li> </ol> <p><b>4. Resident Practices:</b></p> <p>a. The following must be provided, documented, and analyzed regarding resident practices:</p>





Document	Requirements
	<ol style="list-style-type: none"> <li>1. Copy of written admission agreement(s) and fees that identify scope of services to be provided</li> <li>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</li> </ol> <p>b. Confirmation that specific policies and procedures are in place to address the following conditions:</p> <ol style="list-style-type: none"> <li>1. Resident service plan established and updated with changes in condition</li> <li>2. Resident evacuation in case of emergency</li> <li>3. Fall management</li> <li>4. Elopement/Wandering</li> <li>5. Skin Care</li> <li>6. Elder Abuse</li> <li>7. Dehydration/Malnutrition</li> <li>8. Neglect</li> <li>9. Mental health behavior plan</li> <li>10. Physical notification for change in resident condition</li> <li>11. Medication management</li> <li>12. Smoking</li> <li>13. Transfer/Discharge</li> <li>14. Infectious Control</li> </ol> <p>c. Collection of Resident Turnover data by care type to calculate the turnover ratio for the most current year available</p> <p><b>5. Regulatory Compliance:</b></p> <ol style="list-style-type: none"> <li>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.</li> <li>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"> <li>1. State Health Inspections</li> </ol> </li> </ol>



Document	Requirements
	<ol style="list-style-type: none"> <li>2. Fire / Life Safety Inspections</li> <li>3. Food Safety Inspections</li> </ol> <p>c. Copies of the Plan of Corrections (POCs) submitted by the owner or Operator and the date of acceptance of the government authority, if applicable. If the POC has not been accepted by the government authority, then the process required to resubmit plan of correction of deficiencies must be provided including any steps already taken or remaining to complete. If the correction requires re-inspection, this should be noted and whether it will occur at the next standard licensure inspection or earlier date.</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"> <li>1. State health licenses</li> <li>2. Business licenses</li> <li>3. Food permits</li> </ol> <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"> <li>1. Assessment of the status of any federal, state, or local proposed regulations or amendments to existing regulations that could affect the Property</li> <li>2. Identification and analysis of any special insurance requirements required by any government authority.</li> </ol> <p><b>Recommendation / Summary:</b></p> <p>a. Onsite inspection of the Property</p>



Document	Requirements
	<p>b. An overall assessment of employee, management and resident practices as well as regulatory compliances affecting the Property, including the identification and analysis of shortcomings with recommendations on matters to the ownership, operation or management of the Property</p> <p>c. List of sources and references used to complete the report</p>
<b>Seniors Housing licenses and certificates</b>	<p>The Seller must provide the following to Freddie Mac:</p> <ul style="list-style-type: none"> <li>• A list of any and all licenses, certificates and permits required for the operation of the Property</li> <li>• A copy of each existing license, certificate or permit issued by any governmental or regulatory authority, whether issued to the Borrower, the manager or the operator of the Property, and the renewal date of each such license, certificate or permit</li> <li>• Documentation pertaining to any pending or outstanding violations, findings, investigations or corrective actions by such governmental or regulatory authority with respect to the Property and the status of any corrective actions pending or resolved within the previous three years</li> </ul> <p>See Section 21.3(e) for additional license requirements.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Seniors Housing list of furniture, fixtures, equipment and motor vehicles</b>	<p>The Seller must submit to Freddie Mac a list of items or classes of items of all furniture, fixtures, equipment and motor vehicles located on or used in connection with the Property ("FF&amp;E") that are not owned by the Borrower, including the name of the owner of each item.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <p>If all FF&amp;E is owned by the Borrower, the Seller must provide a certification from the Borrower to that effect.</p> <p>The Legal Issues Analysis must include the Seller's counsel's recommendation with respect to the Lender's security interest in FF&amp;E and motor vehicles not in the Borrower's name.</p>



Document	Requirements
<b>Seniors Housing Management Assessment</b>	<p>A Seniors Housing Management Assessment is required for any Seniors Housing Mortgage with a UPB greater than or equal to \$50 million, or for any Seniors Housing Mortgage that is part of a crossed pool, if the pool has a UPB greater than or equal to \$100 million.</p> <p>The Seniors Housing Management Assessment is a narrative report that describes and assesses the experience and capabilities of the Manager or Operator of the Property regarding the daily use and operation of the Property. It is required, whether the Manager or Operator of the Property is or is not an affiliate of the Borrower.</p> <p>The Seller may prepare the Seniors Housing Management Assessment or may contract for its preparation by a third-party.</p> <p>The Seniors Housing Management Assessment must address each of the categories outlined below:</p> <ol style="list-style-type: none"> <li><b>1. Management structure and experience</b> <ol style="list-style-type: none"> <li>a. Organizational charts that identify all reporting relationships at the corporate, regional, and Property levels</li> <li>b. Description of the depth and level of experience of all key personnel at the corporate, regional, and Property levels</li> </ol> </li> <li><b>2. Employee / Management Practices</b> <ol style="list-style-type: none"> <li>a. Corporate, regional, and Property level hiring and retention practices</li> <li>b. Interaction between corporate / regional staff with Property level staff</li> <li>c. Corporate training practices</li> </ol> </li> <li><b>3. Healthcare IT</b> <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> </li> </ol>



Document	Requirements
	<p><b>4. Risk Management Program</b></p> <ul style="list-style-type: none"> <li>a. Corporate policies and procedures for reviewing, investigating, and reporting incidents and accidents</li> <li>b. Corporate level assessment of operations and clinical issues</li> <li>c. Corporate GL/PL insurance overview</li> </ul> <p><b>5. Regulatory Compliance</b></p> <p>Corporate quality assurance program practices.</p> <p><b>6. Summary and Conclusion</b></p> <p>Overall conclusion on the competency of Manager or Operator experience and capabilities and whether they meet, exceed, or fall short of industry standards.</p>
<b>Seniors Housing operating lease</b>	<p>For any operating lease at the Property that will be in place on the Origination Date, the Seller must provide:</p> <ul style="list-style-type: none"> <li>• A copy of the complete operating lease; and</li> <li>• An <a href="#">Operating Lease Analysis</a> completed by the Seller's counsel, using the form available at <a href="http://mf.freddiemac.com/lenders/legal">mf.freddiemac.com/lenders/legal</a></li> </ul>
<b>Seniors Housing Real Estate Schedule Addendum</b>	<p>In addition to the <a href="#">Form 1116, Real Estate Schedule</a>, or other form, for a Borrower who leases the Property to a third-party operator, the Seller must provide Freddie Mac with the following information for each of the other such properties run by the operator:</p> <ol style="list-style-type: none"> <li>1. Name, address and location</li> <li>2. Term of the contract</li> <li>3. Property owner's name, address and telephone number</li> <li>4. Type of resident care, if any, provided (for example, independent living, assisted living, dementia care or skilled nursing care)</li> </ol>



Document	Requirements
	<p>5. A list of any required licenses and certifications that are not current and in good standing</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Sources and Uses</b>	<p>The Seller must provide details about a transaction's cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>For acquisitions, the verified Liquidity for Key Borrower Principals in the case of a (i) First-Time Sponsor, (ii) Limited Multifamily Experience Sponsor, or (iii) Rapid Growth Sponsor will be assessed against the funds needed to close (purchase price plus closing costs). In the event the Liquidity is determined to be insufficient, Freddie Mac may consider the Liquidity reported in the certified financial statements for other Key Borrower Principals in the assessment against the funds needed to close. Seller may be required to provide a detailed explanation of the source of funds necessary to close (including party names and respective equity contribution), certified by the Borrower, along with any supporting documentation as required by Freddie Mac. U.S. Public Companies and Governmental Entities are exempt from this additional verification analysis.</p> <p>Sources and uses may be included in the mortgage transaction narrative analysis.</p>
<b>Student Housing Questionnaire, Form 1120</b>	<p>The Seller must submit to Freddie Mac a completed and executed <a href="#">Form 1120, Student Housing Questionnaire</a>, for each Student Housing Property.</p>
<b>Subordinate debt documentation</b>	<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>
<b>Summary of interest rate hedge terms</b>	<p>The Seller must provide to Freddie Mac a summary of interest rate hedge terms.</p>



Document	Requirements
<b>Survey</b>	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.
<b>Verification of Collections, Form 1144</b>	For a Targeted Affordable Housing Mortgage, the Seller must provide to Freddie Mac <a href="#">Form 1144, Verification of Collections</a> , 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 <a href="#">Form 1144</a> , the Borrower may provide certified operating statements for the most recent three months.
<b>Wood-damaging insect inspection documentation</b>	<p>A wood-damaging insect inspection report is not required if the Property has no wood framing or structural members (i.e., significant components that could be subject to damage by wood-damaging insects, such as termites, powderpost beetles, carpenter ants, etc.) as determined by either the Property Condition Report or the Physical Risk Report.</p> <p>For any Property with wood framing or structural members as described above, the Seller must provide the following documentation to Freddie Mac:</p> <ul style="list-style-type: none"> <li>• A wood-damaging insect inspection report stating that there is no evidence of wood-damaging insect infestation, or</li> <li>• Certification from the Property's current pest control provider stating that there is no evidence of wood-damaging insect infestation and the Property is regularly inspected and/or treated to prevent wood-damaging insect infestation.</li> </ul> <p>The wood-damaging insect inspection report or the certification from the Property's current pest control provider must be dated within six months prior to the date of the submission of the full underwriting package to Freddie Mac.</p> <p>Notwithstanding the above, the documentation listed above is not required if the following three conditions are satisfied:</p> <ul style="list-style-type: none"> <li>• The Borrower provides documentation confirming that there is a wood-damaging insect contract in place for the Property;</li> <li>• A wood-damaging insect contract will remain in place for the term of the Mortgage, and</li> </ul>





Document	Requirements
	<ul style="list-style-type: none"> <li>There is no evidence of wood damage per the Property Condition Report (if applicable);</li> </ul> <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>
<b>Zoning documentation</b>	<p>The Seller must provide a zoning report by a third-party reporting company. See Section 8.5 for additional documentation and analysis requirements if:</p> <ul style="list-style-type: none"> <li>The Property does not conform to current zoning regulations</li> <li>A zoning report is not available in the jurisdiction where the Property is located</li> <li>Not all certificates of occupancy required for the use, operation and occupancy of the Property are available</li> </ul> <p>Regardless of whether a zoning report is required, for all full underwriting packages, the Seller must include all available certificates of occupancy as part of the zoning documentation.</p> <p>The zoning report may also include documentation of building code violations.</p> <p>A zoning report is not required if the Appraisal includes the zoning analysis required by Section 60.12(f)(2) and all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>The Mortgage has an initial principal balance of \$20 million or less, or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate</li> <li>The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage</li> </ul> <p>See Section 8.5 for complete requirements.</p>



Document	Requirements

### 55.3 Requirements for documents contained in the prescreen package (04/13/23)

<b>Cell phone tower lease</b>	The Seller must provide an analysis of cell phone tower leases, if any.
<b>TAH Conflicts Check – Transaction Parties and Details</b>	The Seller must include a completed copy of the <a href="#">TAH Conflicts Check – Transaction Parties and Details</a> for all Tax-Exempt Loans, Tax Exempt Bond Credit Enhancement Mortgages, and, upon request, for other TAH Mortgages.
<b>Draft Appraisal</b>	The Seller may provide a summary of a draft Appraisal for the Property, if available.
<b>Environmental report and alternatives</b>	The Seller must, to the extent available, provide an environmental report analysis meeting the requirements of Chapter 61.
<b>Financial statements of Borrower and Key Borrower Principals</b>	<p>The Seller must provide, to the extent available, current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>If current certified financial statements are unavailable, the Seller must provide an informed analysis, developed based on discussions and other due diligence, of the financial capacity of the Borrower(s) and Key Borrower Principal(s).</p>
<b>Information on similar projects completed</b>	The Seller must provide information on, and analysis of, targeted affordable housing projects that the Borrower has completed, for new construction or rehabilitation, that are similar in size and scope and/or are in the same market or sub-market.
<b>TAH Request for Initial Cash Quote or Initial Bond Quote</b>	The Seller must provide, as applicable, a completed copy of the <a href="#">TAH Request for Initial Cash Quote</a> or the <a href="#">TAH Request for Initial Bond Quote</a> , available at <a href="http://mf.freddiemac.com/lenders/uw">mf.freddiemac.com/lenders/uw</a> .



<b>Loan Submission Template for Targeted Affordable Housing</b>	The Seller must include a completed copy of the Loan Submission Template for Targeted Affordable Housing that is provided to the Seller by Freddie Mac. The latest version of the Template can be found at <a href="http://mf.freddiemac.com/lenders/uw/loan_submission_template.html">mf.freddiemac.com/lenders/uw/loan_submission_template.html</a> .
<b>Market study</b>	<p>The Seller must provide an independent, third-party market study including the following information:</p> <ol style="list-style-type: none"> <li>1. Market area definition</li> <li>2. Physical and location analysis</li> <li>3. Economic analysis</li> <li>4. Demographic analysis</li> <li>5. Supply analysis</li> <li>6. Demand analysis</li> <li>7. Capture rate analysis</li> <li>8. Recommendation</li> </ol>
<b>Prescreening Executive Summary</b>	The Seller must include a completed copy of the Prescreening Executive Summary form provided to the Seller by Freddie Mac.
<b>Property condition report</b>	The Seller must, to the extent available, provide an analysis of the property condition report meeting the requirements of Chapter 62.
<b>Real Estate Schedule, Form 1116</b>	The Seller must provide a <a href="#">Form 1116, Real Estate Schedule</a> , or other form that contains comparable information, for all real estate in which any Key Borrower Principal currently has a direct or indirect interest.
<b>Rent comparables summary</b>	The Seller must provide a list of comparable properties in the market/submarket, detailing rents, unit size, unit mix, etc.
<b>Resumes of Borrower and Key Borrower Principals</b>	The Seller must provide a description of the Borrower's and Key Borrower Principals' (and Borrower Principals on TAH Mortgages where the qualifications of the Borrower Principal is significant to

	the success of the deal) experience with projects that are comparable in size and scope to the proposed transaction.
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# Multifamily Seller/Service Guide

## Chapter 55SBL

### SBL Documentation and Deliveries



#### 55SBL.1 [Use of Chapter 55SBL \(12/14/23\)](#)

- a. [Preparing an underwriting package \(12/14/23\)](#)
- b. [Preparing documentation required for a Transfer of Ownership \(06/29/17\)](#)
- c. [Notification requirements regarding updates to the underwriting package \(02/16/23\)](#)
- d. [Ability to request additional information \(04/13/23\)](#)

#### 55SBL.2 [Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership \(02/27/25\)](#)



## 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/Serviceicer must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

**d. Ability to request additional information (04/13/23)**

Notwithstanding the documentation requirements in Section 55SBL.2, Freddie Mac reserves the right to request any document identified in Section 55SBL.2 from any Borrower Principal.

**55SBL.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (02/27/25)**

[a](#) [b](#) [c](#) [d](#) [e](#) [f](#) [g](#) [h](#) [i](#) [j](#) [k](#) [l](#) [m](#) [n](#) [o](#) [p](#) [q](#) [r](#) [s](#) [t](#) [u](#) [v](#) [w](#) [x](#) [y](#) [z](#)

Document	Requirements
<b>Access easement and Essential Facilities and/or Recreational Facilities easement documentation</b>	<p>The Seller must provide Freddie Mac with the following documentation:</p> <ul style="list-style-type: none"> <li>• If the Property shares primary ingress and/or egress with adjacent or neighboring properties <ul style="list-style-type: none"> <li>○ Documentation in accordance with Section 8SBL.6</li> <li>○ A PLIM, if required by Freddie Mac</li> <li>○ A copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable</li> <li>○ An opinion from a land use attorney acceptable to Freddie Mac, if requested by Freddie Mac</li> </ul> </li> <li>• If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the</li> </ul>





Document	Requirements
	<p>owner</p> <ul style="list-style-type: none"> <li>○ Documentation in accordance with Section 8SBL.6</li> <li>○ A PLIM, if required by Freddie Mac</li> <li>• See also “<a href="#">confirmation of or a request for approval of shared facilities or access.</a>”</li> </ul>
<b>Aged Receivables Report</b>	<p>The Seller must review and submit to Freddie Mac a report which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report should be dated as of the ending T-12 period for the current property financial statement submitted.</p> <p>Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Appraisal</b>	<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 <a href="#">Additional Appraisal Requirements Memorandum</a>.</p> <p>The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.</p>
<b>Borrower and Key Borrower Principal Blanket Certification, Form 1112</b>	<p><a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>, must be used to certify the following documentation:</p> <ul style="list-style-type: none"> <li>• Property Financial Statements (Historical and Budgeted)</li> <li>• Rent Roll</li> <li>• Real Estate Schedule</li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>Financial Statement</li> <li>Monthly collections, if not submitted and certified by <a href="#">Form 1144, Verification of Collections</a></li> <li>Other documentation, as applicable (i.e., Aged Receivable Report, Liquidity verification documentation etc.)</li> </ul> <p><a href="#">Form 1112</a> 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 <a href="#">Form 1115, Borrower and Key Borrower Principal Certificate</a>, will remain in that form and is not covered by the <a href="#">Form 1112</a>.</p>
<b>Borrower and Key Borrower Principal Certificate, Form 1115</b>	<p>If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with a <a href="#">Form 1115, Borrower and Key Borrower Principal Certificate</a>, executed by each individual Borrower or Key Borrower Principal, as applicable.</p> <p><a href="#">Form 1115</a> requests certification of the following information from Borrowers and Key Borrower Principals:</p> <ol style="list-style-type: none"> <li>Past mortgage payment and default experience</li> <li>History of criminal, administrative, and/or litigation proceedings</li> </ol> <p>Each Certificate must be dated not more than 60 days prior to the date the Seller submits the underwriting package to Freddie Mac ("Submission Date").</p> <p>For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the <a href="#">Form 1115</a>. 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>
<b>Borrower's budgeted property financial statements</b>	See " <a href="#">property financial statements</a> ."



Document	Requirements
<b>Breakdown of construction costs</b>	<p>For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs.</p> <p>For current or planned construction, see “<a href="#">capital improvement documentation</a>.”</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Calculation of prepayment premium</b>	<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>
<b>Capital improvement documentation</b>	<p>When required by Freddie Mac, the Seller must submit:</p> <ul style="list-style-type: none"> <li>• For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction</li> <li>• For any major past renovations, a summary of these renovations and documentation concerning the costs</li> </ul> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Certification — Organizational Chart, Form 1114</b>	<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 <a href="#">Form 1114, Certification – Organizational Chart</a>.</p>
<b>Certified Organizational Chart</b>	<p>An Organizational Chart that is certified using Certification – Organizational Chart, <a href="#">Form 1114</a>.</p>
<b>Commercial lease documentation</b>	<p>The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property.</p> <p>To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the</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 <a href="#">Commercial Leases Analysis and Estoppel – SBL</a> form is available at <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>.</p> <p>See Section 8SBL.11 for commercial lease SNDAs and subordinations; see Section 8SBL.2(b) for commercial use requirements.</p>
<b>Complete Borrower/Key Borrower Principal Due Diligence Package</b>	<p>A Complete Borrower/Key Borrower Principal Due Diligence Package consists of <a href="#">Form 1115, Borrower and Key Borrower Principal Certificate</a>; <a href="#">Form 1116, Real Estate Schedule</a>; certified current financial statements for the Borrower and Key Borrower Principals and a credit report for Guarantors that are individuals; <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>; and Liquidity verification documentation, if applicable. It is submitted as part of the underwriting package to Freddie Mac.</p>
<b>Condominium Analysis</b>	<p>If the Property is subject to a condominium regime, the Seller must confirm in the Mortgage Transaction Narrative Analysis that the Borrower owns 100 percent of the real property that is subject to the Condominium regime.</p>
<b>Confirmation of compliance or a request for approval of shared facilities or access</b>	<p>If any on-site or off-site facilities or access are shared and if Freddie Mac requests a PLIM, the Seller must submit in a PLIM a confirmation that any such sharing arrangement meets the requirements of Section 8SBL.6.</p>
<b>Credit reports</b>	<p>The Seller must provide to Freddie Mac a current credit report on each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must</p>



Document	Requirements
	<ol style="list-style-type: none"> <li>1. Be reviewed by the Seller</li> <li>2. Be issued by an independent credit reporting agency acceptable to Freddie Mac</li> <li>3. Be dated within 60 days before delivery to Freddie Mac</li> <li>4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings</li> <li>5. List any other debts</li> <li>6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records</li> <li>7. Include FICO scores for Borrowers and Guarantors</li> </ol>
<b>Current property financial statements</b>	See " <a href="#">property financial statements</a> ."
<b>Delegated property inspection letter</b>	See " <a href="#">property inspection documentation</a> ."
<b>Document analysis by Single Counsel</b>	The Seller must provide an analysis by Single Counsel of certain legal documents affecting the Property, as described in Section 6SBL.10.
<b>Equity Conflict of Interest statement</b>	<p>If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows:</p> <ul style="list-style-type: none"> <li>• With the full underwriting package, or</li> <li>• For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i></li> </ul>
<b>Evidence of Insurance</b>	<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"> <li>• Fully completed <a href="#">Form 1133, Seller/Servicer Certification of Insurance Coverage</a>, via the Insurance Compliance Tool</li> </ul>



Document	Requirements
	<p>(ICT)</p> <ul style="list-style-type: none"> <li>The documents listed in Sections 31.20(a) and 31.20(b), as applicable</li> </ul> <p>For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.</p>
<b>Evidence of Tax Abatement</b>	<p>For Properties benefiting from real estate tax abatements, the Seller must provide a completed <a href="#">Tax Abatement/Exemption Analysis – SBL</a> and documentation from the taxing authority or the governing body confirming:</p> <ul style="list-style-type: none"> <li>That the Property or the Borrower, as applicable, has qualified for the Tax Abatement</li> <li>The amount of annual tax to be paid, if any</li> <li>The term of the Tax Abatement</li> <li>Any other requirements of the Tax Abatement</li> </ul> <p>See Section I of the <a href="#">Tax Abatement/Exemption Analysis - SBL</a> for additional details concerning the documentation to be provided in the underwriting package for all tax abatements.</p> <p>The <a href="#">Tax Abatement/Exemption Analysis - SBL</a> is found on the legal document pages of <a href="http://mf.freddiemac.com">mf.freddiemac.com</a>.</p>
<b>Financial statements of Borrower and Key Borrower Principals – certified</b>	<p>The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity.</p> <p>Each financial statement must include the following:</p> <ul style="list-style-type: none"> <li>Current certified financial statements (dated within six months of delivery of the full underwriting package), including a balance sheet, for the Borrower and each Key Borrower Principal</li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>Federal income tax returns for the Borrower for the most recent taxable year, if requested</li> </ul> <p>NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion.</p> <p>If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate.</p> <p>In addition, the Seller must provide a list of:</p> <ul style="list-style-type: none"> <li>All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities</li> <li>All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation</li> <li>Any factors that may materially affect the Borrower or Key Borrower Principal's financial position immediately or during the term of the Mortgage</li> </ul> <p>The Seller must review the Borrower financial statements.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</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
<b>Financial statements – property</b>	See “ <a href="#">property financial statements</a> .”
<b>Flood zone determination (FZD)</b>	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
<b>Ground lease documentation</b>	<p>For a Property subject to a ground lease, the Seller must provide to Freddie Mac all the following, with a copy of each to the applicable Single Counsel (see Chapter 30).</p> <ul style="list-style-type: none"> <li>• A copy of the ground lease and all existing amendments</li> <li>• A summary by Single Counsel of any items from the <a href="#">Ground Lease Analysis form</a> (available at <a href="http://mf.freddiemac.com/lenders/legal">mf.freddiemac.com/lenders/legal</a>) that are not satisfied and the risks associated with each non-compliant item</li> <li>• Written confirmation that the fee owner is willing to execute the Security Instrument to encumber its interest</li> <li>• Any other items required by Chapter 30</li> </ul>
<b>Historical property financial statements</b>	See “ <a href="#">property financial statements</a> .”
<b>Land Use Restriction Agreement (LURA)/ regulatory agreement</b>	<p>A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property, along with a <a href="#">Regulatory Agreement Questionnaire – SBL</a> (available at <a href="http://mf.freddiemac.com/lenders/legal">mf.freddiemac.com/lenders/legal</a>).</p> <p>See also “<a href="#">rent, income and use restriction documentation</a>.”</p>
<b>Liquidity verification documentation</b>	<p>Each Key Borrower Principal with Ultimate Control and each Guarantor who (i) is a First-Time Sponsor, (ii) does not meet the requirements of Section 9SBL.2(c)(2), or (iii) is a Rapid Growth Sponsor, must provide bank or brokerage statements either (i) reflecting an average balance for the preceding 12-month period or (ii) from each of the preceding three consecutive months.</p> <p>The bank or brokerage statement(s) must be dated within 60 days of delivery of the full underwriting package (when providing statements for each of the preceding three consecutive months, the most recent statement must be dated within 60 days of delivery of the full underwriting package and the average of the three months will be used).</p>



Document	Requirements
	<p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <p>For the Key Borrower Principals noted above, the Liquidity reported in the bank or brokerage statements will be the basis of any Liquidity determination, including as it relates to certain Liquidity thresholds required by the Guide.</p> <p>Additionally, the bank or brokerage statements provided must support the Liquidity represented in the Key Borrower Principal's certified financial statement. Material deviations require an explanation, acceptable to Freddie Mac, which must be included in the Mortgage Transaction Narrative Analysis.</p> <p>Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor, Limited Multifamily Experience Sponsor, or Rapid Growth Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using <a href="#">Form 1112</a>.</p> <p>U.S. Public Companies and Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors are not required to submit Liquidity verification documentation.</p>
<p><b>Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</b></p>	<p>The Seller must provide a copy of:</p> <ul style="list-style-type: none"> <li>• The allocation letter</li> <li>• The Low-Income Housing Credit Allocation and Certification, IRS Form 8609, used to obtain a housing credit allocation from the housing credit agency when a Property is placed into service</li> <li>• The Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, IRS Form 8823, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code (IRC) §42 from both the property manager and the Borrower Principal.</li> </ul> <p>In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties.</p>



Document	Requirements
	See also " <a href="#">rent, income and use restriction documentation</a> ."
<b>Management plan or management agreement</b>	<ul style="list-style-type: none"> <li>• The Seller must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage.</li> <li>• If the Property is managed by the Borrower or the Key Borrower Principal, the Seller must review the Borrower's management plan.</li> <li>• If a management firm is managing the Property, the Seller must review a copy of the management agreement for the Property.</li> <li>• The management agreement must be terminable by the property owner upon not more than 30 days' notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee.</li> </ul>
<b>Mortgage transaction narrative analysis</b>	<p>The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller's option) may be based on the <a href="#">Mortgage Transaction Narrative Analysis – Best Practices</a>.</p> <p>The mortgage transaction narrative analysis must contain the following:</p> <ol style="list-style-type: none"> <li>1. Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage</li> <li>2. Property's physical description, including full address with zip code (including amenities, unit features and general competitive advantages and disadvantages)</li> <li>3. Property's financial analysis (profile and trend)</li> <li>4. Evaluation of balloon risk that includes the Borrower's ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity</li> <li>5. Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment</li> </ol>



Document	Requirements
	<ol style="list-style-type: none"> <li>6. Market analysis (occupancy, supply and concessions)</li> <li>7. History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds</li> <li>8. Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including an estimate of the financial capacity of each (that is, estimated net worth, Liquidity and contingent liabilities)</li> <li>9. An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor, a Limited Multifamily Experience Sponsor, or a Rapid Growth Sponsor</li> <li>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</li> <li>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)</li> <li>12. Loan history if there is an existing mortgage on the Property</li> <li>13. Proposed sources and uses of funds</li> <li>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)</li> <li>15. Cash equity at risk</li> <li>16. Refinance Analysis on SBL Mortgages that are refinances exceeding the existing unpaid principal balance</li> <li>17. Any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7</li> <li>18. Any exception requests</li> </ol>



Document	Requirements
	<p>The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8SBL.15(a), as applicable.</p> <p><b><u>In addition to items 1 – 16 above, for a Mortgage securing a Property subject to a condominium regime:</u></b></p> <p>See “<a href="#">Condominium Analysis</a>.”</p>
<p><b>Organizational Charts – Borrower, Guarantor (not in Borrower’s organizational structure), or Pre-Approved Transferee</b></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"> <li>• With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust</li> <li>• That is a Non-U.S. Equity Holder</li> <li>• For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer</li> <li>• That directly or indirectly Controls Borrower, Guarantor not in Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust</li> </ul> <p>100 percent of the ownership interest in Borrower must be shown.</p> <p>Single Counsel must review the Organizational Chart.</p> <p>See <a href="#">Guidance – Organizational Charts</a> at <a href="http://mf.freddiemac.com/lenders/uw">mf.freddiemac.com/lenders/uw</a>.</p>



Document	Requirements
<b>Payroll schedule</b>	<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 <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Physical Risk Report</b>	See SBL Physical Risk Report, <a href="#">Form 1104</a> .
<b>Preliminary legal issues memorandum (PLIM)</b>	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.
<b>Property financial statements</b>	<p>The Seller must provide to Freddie Mac financial statements for the Property as specified below:</p> <p>Each operating statement must be dated and expressly identify within the document itself the time period to which it relates.</p> <ul style="list-style-type: none"> <li>○ <b>Historical property financial statements</b></li> </ul> <p>The Seller/Servicer must submit a certified operating statement that includes the prior three full years. However, if a Year 3 statement is not available, the Seller/Servicer must submit:</p> <ul style="list-style-type: none"> <li>○ Year 1 back statement, and</li> <li>○ Year 2 back statement, if available</li> <li>○ Current property financial statements (T-12 format or YTD)</li> </ul> <p>Freddie Mac strongly prefers the Seller/Servicer to submit a T-12 operating statement. However, if a T-12 operating statement is not available, the Seller/Servicer must submit a YTD statement.</p> <p>In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping</p>



Document	Requirements
	<p>months between T-12 and the prior year property financial statement.</p> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p> <ul style="list-style-type: none"> <li>○ <b>Monthly Collections</b> <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 <a href="#">Form 1144, Verification of Collections</a>, or via the <a href="#">Form 1112</a>.</p> </li> <li>○ <b>Borrower's budgeted property financial statements</b> <p>The Borrower's budget for the following 12-month period.</p> <p>The document(s) must be certified using <a href="#">Form 1112</a>.</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> </li> </ul>
<b>Property inspection and Lease Audit documentation</b>	<p>At full underwriting, the Seller must complete and document the property inspection described in 8SBL.15.</p> <p>The inspection requirements must be completed within 90 days of Freddie Mac's receipt of the applicable underwriting package.</p>





Document	Requirements
	<p>If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the <a href="#">Property Inspection and Lease Audit form</a>.</p> <p>If the Seller inspection is not on the same day as the inspection for either the Appraisal and/or the Physical Risk Report, the Seller must compare the observations from all other inspections to ensure all information is consistent.</p> <p>See Section 8SBL.15 for additional information regarding property inspection requirements.</p>
<b>Purchase agreement documentation</b>	<p>For acquisition loans, the Seller must submit to Freddie Mac:</p> <ul style="list-style-type: none"> <li>• A copy of the purchase agreement and all amendments</li> <li>• An analysis of the purchase agreement and all amendments by Single Counsel using the <a href="#">Purchase Agreement Analysis</a> form</li> </ul> <p>Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.</p>
<b>Real Estate Schedule, Form 1116</b>	<p>The Seller must provide to Freddie Mac a <a href="#">Form 1116, Real Estate Schedule</a>, for all real estate in which any Key Borrower Principal that is not newly formed currently has a current ownership interest as a Borrower or Key Borrower Principal .</p> <p>If alternative documentation to <a href="#">Form 1116</a> is submitted, this documentation must be materially similar, include all key data points necessary to properly assess risk, and be acceptable to Freddie Mac.</p> <p>An Excel version of the Real Estate Schedule is preferred and must be submitted for (i) First-Time Sponsors, (ii) Sponsors not meeting the requirements of Section 9SBL.2(c)(2), or (iii) Rapid Growth Sponsors.</p> <p>The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate.</p> <p>The Key Borrower Principal must:</p>



Document	Requirements
	<ul style="list-style-type: none"> <li>Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following:                             <ul style="list-style-type: none"> <li>The full recourse obligation to the lender, including the entire amount of joint and several guarantees</li> <li>For loans on properties under construction, the loan amount drawn to date and the as-is value</li> </ul> </li> <li>Provide a written explanation of any non-performing assets in its portfolio</li> </ul> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Real estate tax bill</b>	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.
<b>Registration of rental units (rent regulation/rent control/stabilization)</b>	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.
<b>Rent, income and use restriction documentation</b>	<p>The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property.</p> <p>If applicable, see also:</p> <ul style="list-style-type: none"> <li><a href="#">Land Use Restriction Agreement (LURA)/Regulatory Agreement (for LIHTC)</a></li> <li><a href="#">Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation</a></li> <li><a href="#">Registration of rental units (rent control/stabilization)</a></li> </ul>



Document	Requirements
<b>Refinance Analysis</b>	<p>If applicable, the following documentation may be required for SBL Mortgages that are refinances exceeding the existing unpaid principal balance:</p> <ul style="list-style-type: none"> <li>• Refinance Analysis</li> <li>• Three months of bank statements showing rental deposits</li> <li>• Rent roll verifying net residential income (NRI) growth</li> <li>• Evidence of capital expenditures completed or construction, including: <ul style="list-style-type: none"> <li>○ Photos</li> <li>○ Schedule of completion</li> <li>○ Paid receipts/contracts</li> <li>○ Building permits</li> <li>○ Post-completion inspection reports</li> <li>○ Additional evidence required by Lender</li> </ul> </li> </ul>
<b>Rent roll</b>	<p>The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at <a href="https://mf.freddiemac.com/docs/rent_roll_template.xls">https://mf.freddiemac.com/docs/rent_roll_template.xls</a>.</p> <ul style="list-style-type: none"> <li>• Is dated within 30 days of the underwriting package submission</li> <li>• Is complete with respect to the required information below for each unit: <ol style="list-style-type: none"> <li>1. “As of” date of the rent roll clearly indicated within the document</li> <li>2. Tenant's name(s)</li> <li>3. Unit number or identification</li> <li>4. Unit type (number of bedrooms and bathrooms)</li> <li>5. Square footage of each unit</li> <li>6. Occupancy status by unit</li> <li>7. Identification of any employee units, model units, corporate units and units used as rental offices</li> <li>8. Monthly contract rent</li> <li>9. Concessions, rebates or discounts given to tenant, if applicable</li> <li>10. Arrearages owed by tenant, if any</li> </ol> </li> </ul>



Document	Requirements
	<ul style="list-style-type: none"> <li>11. Subsidies, if applicable (specify type)</li> <li>12. Rent controlled or rent stabilized, if applicable</li> <li>13. Original occupancy date, per tenant</li> <li>14. Lease commencement date</li> <li>15. Lease expiration date and renewal options, if any</li> <li>16. Month-to-month status, per tenant</li> <li>17. Amount of security deposit held</li> <li>18. Furnished or unfurnished status</li> </ul> <p>The document(s) must be certified using <a href="#">Form 1112, Borrower and Key Borrower Principal Blanket Certification</a>.</p>
<b>Residential lease sample</b>	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.
<b>SBL Physical Risk Report – Form 1104</b>	Seller must provide to Freddie Mac a completed <a href="#">Form 1104, SBL Physical Risk Report</a> , meeting the requirements of Chapter 62SBL.
<b>Seismic risk documentation</b>	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 <a href="#">Form 1102, Seismic Risk Assessment Summary</a> .
<b>Seller's mortgage loan application with Borrower</b>	<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,</p>



Document	Requirements
	<p>photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.”</p> <p>The mortgage loan application must also include the following acknowledgements by the Borrower:</p> <ul style="list-style-type: none"> <li>• “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial statements from the Borrower outlining the Property’s financial performance.”</li> <li>• “The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac’s portfolio.”</li> </ul>
<b>Seller's pro forma property financial statements</b>	<p>The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.</p>
<b>Sources and uses</b>	<p>The Seller must provide details about a transaction’s cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction.</p> <p>For SBL Mortgages that are refinances exceeding the existing unpaid principal balance, the sources and uses must include the existing debt and prepayment premiums or penalties associated with the existing loan payoff. Verification to support this request is required and can be in the form of a mortgage payoff or mortgage statement.</p> <p>For SBL Mortgages that are acquisitions, the verified Liquidity for Key Borrower Principals in the case of a (i) First-Time Sponsor, (ii) Sponsors not meeting the requirements of Section 9SBL.2(c)(2), or (iii) Rapid Growth Sponsor will be assessed against the funds needed to close (purchase price plus closing costs). In the event the Liquidity is determined to be insufficient, Freddie Mac may consider the Liquidity reported in the certified financial statements for other Key Borrower Principals in the assessment against the funds needed to close. Seller may be</p>



Document	Requirements
	required to provide a detailed explanation of the source of funds necessary to close (including party names and respective equity contribution), certified by the Borrower, along with any supporting documentation as required by Freddie Mac. U.S. Public Companies and Governmental Entities are <a href="#">exempt from this additional verification analysis</a> .
<b>Student Housing Questionnaire, Form 1120</b>	The Seller must submit to Freddie Mac a completed and executed <a href="#">Form 1120, Student Housing Questionnaire</a> , for each Property where the concentration of graduate and undergraduate Students is greater than 25 percent.
<b>Verification of Collections, Form 1144</b>	The Seller must provide to Freddie Mac <a href="#">Form 1144, Verification of Collections</a> , 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 <a href="#">Form 1144</a> , the Borrower may provide certified operating statements for the most recent three months.
<b>Zoning documentation</b>	See Section 8SBL.5 for complete requirements.

# Multifamily Seller/Servicer Guide

Chapters 56-59

Reserved



**Reserved for future use.**



# Third-Party Reports

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Chapters 60-69

# Multifamily Seller/Service Guide

## Chapter 60

### Appraiser and Appraisal Requirements



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## 60.1 General requirements; Additional Requirements (04/18/24)

For all multifamily purchase programs and products, the Seller/Servicer must submit a written Appraisal on the Property with the full underwriting package submission or in connection with certain Special Servicing requests.

### a. Appraisal requirements (04/18/24)

Freddie Mac requires that the Appraisal be in a narrative format. The Appraisal must be ordered by the Seller/Servicer and it must be completed by and signed by an appraiser approved by the Seller/Servicer. Freddie Mac will not accept Appraisals ordered by and/or prepared for anyone other than the Seller/Servicer.

To support Freddie Mac's evaluation of the Mortgage loan, Freddie Mac requires that the Appraisal contain transparent data analysis in a concise but comprehensive report format. It is important that Freddie Mac receive only quality Appraisals and analyses, supported by the Seller/Servicer's selection of well-qualified appraisers and the Seller/Servicer's critical review of the appraiser's Appraisals.

Note, effective for Mortgage loans taken under Seller Application on or after February 20, 2023, Seller/Servicers must also comply with the policies set forth in the [Additional Appraisal Requirements Memorandum](#) available at [mf.freddiemac.com](https://mf.freddiemac.com). To the extent there is any conflict between the Additional Appraisal Requirements Memorandum and the requirements of this chapter, the provisions of the Additional Appraisal Requirements Memorandum govern.

### b. Purpose of Appraisal (04/18/24)

Appraisals must estimate the as-is leased fee market value of the Property ("leased fee" as defined in the current edition of The Appraisal of Real Estate, published by the Appraisal Institute) as of the effective date of the Appraisal, subject to stated assumptions and limiting conditions. The as-is leasehold value of the Property (defined in The Appraisal of Real Estate) must be estimated if the ownership of the Property is subject to a ground lease. Although other valuation scenarios may be appropriate for a particular Appraisal, at minimum, all Appraisals must provide an as-is estimate of market value.

In addition, for transactions involving affordable housing Mortgages and Targeted Affordable Housing (TAH) Mortgages, Freddie Mac requires the additional values outlined in Section 60.24, items 5-8.

## 60.2 Appraiser Independence Requirements (02/27/25)

The Freddie Mac Appraiser Independence Requirements provided in this chapter herein set forth standards to safeguard the independence, objectivity and impartiality of appraisers and other Independent Parties (as defined below) throughout the valuation process. The valuation process must not be directed or influenced in any way by Conflicted Appraisal Parties (as defined below). Compliance with these Appraiser Independence Requirements is the responsibility of the Seller/Servicer.



For purposes of these Appraiser Independence Requirements, the term “Independent Party” refers to the appraisal company, any entity or person related to the appraiser, appraisal company, or any other party that is part of the appraisal process.

For the purposes of these Appraiser Independence Requirements, the term “Conflicted Appraisal Parties” refers to:

- All members of the Seller/Servicer’s Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
- Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including but not limited to, mortgage brokers, loan production staff and real estate agents.

Seller/Servicer personnel involved in the underwriting, credit risk management or closing of the Mortgage who are not under the supervision of production or loan origination staff are not considered Conflicted Appraisal Parties.

For purposes of this chapter, any reference to Independent Parties or Conflicted Appraisal Parties will be deemed to include any Freddie Mac employee or contractor.

**a. General requirements (04/18/24)**

No person is allowed to influence or attempt to influence the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:

1. Withholding or threatening to withhold timely full or partial payment to an Independent Party;
2. Withholding or threatening to withhold future business from or demoting or terminating or threatening to demote or terminate an Independent Party;
3. Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;
4. Conditioning the ordering of an Appraisal or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;
5. Requesting from or providing to an Independent Party any of the following:
  - Comparable sales prior to engaging the Independent Party to perform an Appraisal;
  - An anticipated, estimated, encouraged, or desired value or value range for the Property, with the exception that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an Appraisal;
  - An anticipated, estimated, encouraged, or desired targeted loan ratio (*i.e.*, debt coverage ratio, loan to value, etc.), expense conclusions or income conclusions;



6. Providing stock or other financial or non-financial benefits to an Independent Party or any entity or person related to the Independent Party;
7. Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform Appraisals for specific loan production staff, loan officer or mortgage broker, except as otherwise provided in subsection b.5 below;
8. Directing an Independent Party to perform an Appraisal using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or
9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, impartiality or compliance with any law or regulation, including, but not limited to, the Truth-in-Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

**b. Independent Party engagement (02/27/25)**

Sections 60.2(b)1, 2, 3 and 5 below may be implemented immediately but are only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. The Seller/Servicer must separate its sales and Mortgage origination functions from its appraisal functions. An agent or employee of the Seller/Servicer involved in the Seller/Servicer's sales or Mortgage origination function must not be involved in the operations of the Seller/Servicer's appraisal functions.

If absolute lines of independence between the Seller/Servicer's appraisal functions and its Mortgage origination process cannot be achieved due to staffing limitations, the Seller/Servicer must clearly demonstrate within its written policies that it has prudent safeguards in place to isolate its appraisal functions from influence or interference by its Mortgage origination process.

2. Conflicted Appraisal Parties are prohibited from:
  - Ordering, managing, or defining the scope of work for an Appraisal;
  - Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular Appraisal or for inclusion on a list or panel of appraisers approved or forbidden to perform Appraisals for the Seller/Servicer; or
  - Having any substantive communications with an appraiser relating to or having an impact on valuation

Notwithstanding the foregoing, any party, including any Conflicted Appraisal Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.





3. Any person involved in substantive Appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must:
  - Be appropriately trained and qualified, and
  - Complete all Freddie Mac required Appraisal training
4. Seller/Servicer leadership responsible for managing Appraisal ordering and review functions must complete all Freddie Mac required Appraisal training.
5. For training requirements that are applicable, see the [Additional Appraisal Requirements Memorandum](#) available at [mf.freddiemac.com](http://mf.freddiemac.com), as referenced in Section 60.1(a).
6. The Seller/Servicer or any third-party specifically authorized by the Seller/Servicer (including, but not limited to, appraisal companies and correspondent lenders) will be responsible for selecting, retaining and providing for payment of all compensation to the appraiser. The Seller/Servicer must not accept any Appraisal completed by an appraiser selected, retained, or compensated in any manner by the Borrower or any other third party (including mortgage brokers, loan production staff and real estate agents) unless specifically permitted by the Freddie Mac loan documents. For the sake of clarity, the foregoing does not prohibit the Borrower from reimbursing the Seller/Servicer for the cost of the Appraisal, or for paying for the cost of the Appraisal at closing if such payment is shown on the settlement statement.
7. The Seller/Servicer may maintain lists of approved Independent Parties only if:
  - The Seller/Servicer has in place a written policy that requires such lists for bona fide administrative or quality control purposes; and
  - Any employee or vendor of the Seller/Servicer involved in the selection of Independent Parties for such lists must be wholly independent of the Seller/Servicer's Mortgage origination staff and process and of the appraiser and the Independent Parties.

**c. Reporting Appraisal misconduct (06/13/24)**

Section 60.2(c)2 below may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. If the Seller/Servicer has a reasonable basis to believe an Independent Party is violating State licensing requirements, applicable laws or is otherwise engaging in unethical conduct, the Seller/Servicer must promptly refer the matter to Freddie Mac and the applicable State appraiser certifying and licensing agency or other regulatory body.
2. The Seller/Servicers engagement for Appraisals with Independent Parties must provide a notice that if the Independent Party has a reasonable basis to believe a Conflicted Appraisal Party or Seller/Servicer is violating Appraiser Independence Requirements, the Independent Party must promptly refer the matter to either the Freddie Mac *Investigation Unit* or the *Multifamily Appraisals* team.



**d. Compliance; Policies (06/13/24)**

This Section 60.2(d) may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

The Seller/Servicer must adopt written policies, procedures and disciplinary rules and implement adequate training programs to ensure compliance with these Appraiser Independence Requirements. Additionally, the Seller/Servicer must ensure that any third parties involved in the appraisal functions including, but not limited to, appraisal management companies or correspondent lenders, involved in the origination of a mortgage or the sale and delivery of a Mortgage to Freddie Mac are also in compliance with these Appraiser Independence Requirements.

**60.3 Market value definition (09/28/18)**

Appraisers must use the definition of market value set forth below, which conforms to the definition of market value adopted in the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraisal must be completed in accordance with the definition below, as defined within the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") of 1989:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

**60.4 Appraisers (09/28/18)**

Freddie Mac does not select or approve specific appraisers for Freddie Mac's Multifamily programs or products. The Seller/Servicer selects and approves appraisers and is responsible for maintaining an active file on each appraiser's qualifications. The file must be updated annually and is subject to inspection by Freddie Mac.

The appraiser may not be involved or affiliated with any individual or institution involved in the Mortgage submission other than the Seller/Servicer. Appraisers who are staff appraisers of the Seller/Servicer must be independent of the lending, investment and collection functions of the Seller/Servicer.



In those instances where the appraiser and/or the appraisal firm is affiliated with or related to the Seller/Servicer, Appraisals performed for Freddie Mac's Multifamily programs and products must include statements of disclosure from both the Seller/Servicer and from the appraiser that:

- Are signed and dated on the same date as the Appraisal,
- Describe the nature of the relationship between the appraiser and the Seller/Servicer (or other entity),
- State that there is no conflict of interest between these firms, and
- State that there are no fees, payments or compensation between the firms other than that disclosed in the engagement letter between the appraiser and the Seller/Servicer (or other entity), or, if there is compensation in addition to the appraisal fee, provide a description of those fees, payments or compensation

The disclosure from the Seller/Servicer must be included with the Appraisal as an attachment in the Addenda or following the report's Letter of Transmittal. The disclosure from the appraiser must also be included

- As a statement in the Letter of Transmittal of the Appraisal, and
- In the appraiser's Certification, as required by the Uniform Standards of Professional Appraisal Practice (USPAP).

**a. Appraiser qualifications (09/28/18)**

For Appraisals submitted for Small Balance Loan (SBL) program Properties, at least one of the appraisers signing the Appraisal must meet all of the requirements outlined in 1-10 below. For all other Properties, each appraiser signing the Appraisal must meet the requirements outlined in 1-10 below.

1. Be a certified general appraiser under the appraiser certification requirements of the State in which the Property is located (or a certified appraiser if that State does not confer the designation of certified general appraiser)
2. Appear on the State roster in good standing under the requirements of Title XI of FIRREA

For all programs and products, if the Appraisal Subcommittee of the Federal Financial Institutions Examination Council has disapproved the licensing and certification requirements of the State in which the Property is located, pursuant to Title XI of FIRREA, the Seller/Servicer must contact the *Applicable Freddie Mac Multifamily Regional Office* for instructions. The TAH Seller/Servicer must contact the *Multifamily TAH Underwriter*.

3. Be actively and regularly engaged in the appraisal of multifamily properties
4. Have at least three consecutive years of income property appraisal experience



5. Have completed at least two multifamily Appraisals in the past year in the geographic market area where the Property is located
6. Be knowledgeable concerning current real estate market conditions and financing trends in the geographic market area where the Property is located
7. Be experienced in appraising multifamily properties with complexity and characteristics similar to those of the Property (such as the number of units and type of property—garden, mid-rise, high-rise, etc.)
8. Have a working knowledge of construction costs, materials, methods and standards in the geographic market area where the Property is located
9. Have a strong educational background in appraising income properties

Appraisers must have completed successfully several courses relating to income properties. These courses must have been completed through a nationally recognized appraisal organization or accredited college or university.

10. Have insurance meeting the requirements of Section 11.5.

**b. Conditions for an appraisal trainee to co-sign (06/30/15)**

An appraisal trainee may co-sign an Appraisal if the appraisal trainee is currently registered as an appraisal trainee in the State in which the Property is located and the Appraisal clearly and prominently:

- States that the appraisal trainee is an appraisal trainee or equivalent job title,
- Identifies the appraisal trainee's trainee license or certification identification number in the Appraisal, preferably in the Letter of Transmittal and in the Certification, and
- States, in the Letter of Transmittal, the appraisal trainee's specific role in the appraisal project and describes in which parts of the appraisal process the trainee had a contribution and the extent of that contribution. The statement must specifically address whether or not the trainee inspected the Property.

All appraisers that sign the Certification in the Appraisal must take professional responsibility for the appraisal trainee's content, conclusions, and discussions within the Appraisal.

**c. Unacceptable appraisers (07/01/14)**

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Servicer, for cause, discontinues the use of any appraiser who has completed Appraisals within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. A TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept Appraisals completed by any specific appraiser. Freddie Mac will maintain, at [mf.freddiemac.com](http://mf.freddiemac.com), the [Multifamily](#)



[Restricted Vendor List](#). If an appraiser appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that appraiser for Multifamily Mortgages offered to Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable appraisers do not prepare Appraisals for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

**d. Representations to third parties by appraisers and appraisal services (09/08/04)**

Appraisers and appraisal services may not represent themselves to third parties as being Freddie Mac-approved appraisers or appraisal services.

**60.5 Appraiser scope of work, certification and signatures (02/27/25)**

**a. Certification (06/16/22)**

The appraiser must attach all of the following to the Appraisal:

- All assumptions and limiting conditions
- A certification that states that the report complies with the requirements of the USPAP, promulgated by the Appraisal Standards Board of the Appraisal Foundation, that are in effect at the time of certification, including USPAP's requirements that the Appraisal was conducted in compliance with all relevant laws, including the Fair Housing Act and Equal Credit Opportunity Act
- A certification that states that the Appraisal complies with the current version of the FIRREA of 1989, including its Title XI regulations

**b. Scope of work and signing the Appraisal (02/27/25)**

There are requirements in this Section 60.5(b), announced in the February 27, 2025 Bulletin, that are effective for Mortgage loans under Seller Application on or after **June 2, 2025** and for conversion packages delivered on or after **June 2, 2025** that require an updated Appraisal.

For all Properties, (i) all persons signing the Appraisal and/or the Appraisal's Certification must have reviewed and approved the Appraisal, and (ii) at least one of the persons signing the Appraisal must meet all of the following requirements:

- Comply with the requirements in this chapter including, with the exception of appraisal trainees, being a Certified General Appraiser in the State in which the Property is located (or that State's equivalent licensing classification that also meets Freddie Mac's minimum appraiser experience requirements)
- Inspect the Property in accordance with the requirements set forth in Section 60.12(b) (other than the appraisal trainee co-signer requirement)



- Complete the final selection and adjustments of land, rent, expense and sales comparables
- Complete the final development of the appraiser's proforma and capitalization rate selection in the Income Approach
- Complete the final reconciliation and value conclusion
- Accept full responsibility for the contents, analyses and conclusions of the Appraisal

Each person signing the appraisal report and/or the Appraisal's Certification will be deemed to have accepted full responsibility for the contents, analyses and conclusions of the Appraisal.

Refer to Section 60.4(b) for requirements regarding the co-signing of an Appraisal by an appraisal trainee.

## **60.6 Information provided to appraiser by the Seller/Servicer (09/30/20)**

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 Mortgage loan program for which the appraisal will be used (*i.e.*, Small Balance Loans, Seniors Housing, Students Housing, Green Up, Mod Rehab, Conventional, etc.)
- For appraisals in the Small Balance Loans (SBL) program, the Seller/Servicer must ensure that the appraiser complies with the page limit described in Section 60.11
- Current property ownership
- Property address
- Property zip code
- Complete legal description (see Section 29.3)
- 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/Servicer knows may affect the value of the Property

## **60.7 Seller/Servicer supervision of appraisers (02/27/25)**

The Seller/Servicer must evaluate and select appraisers based on qualifications and quality of the appraisal product. The Seller/Servicer must collect information and documentation from appraisers and applicable regulatory authorities to ensure that each appraiser completing Appraisals for multifamily Mortgages offered to Freddie Mac complies with the requirements set forth in this chapter.

Each file must contain sufficient information to document and demonstrate that the appraiser meets the qualification requirements in Section 60.4(a), including:

1. The appraiser's resume
2. Letters of reference from current and/or past clients
3. Documentation showing that the appraiser possesses the certified general classification or certified classification in good standing in accordance with applicable State law
4. Copies of Appraisal sample(s) if appropriate under the ethics provision of USPAP
5. An original certificate(s) of liability insurance meeting the requirements of Section 11.5

Each file must document that the appraiser complies with the requirements of this chapter and that the Seller/Servicer verified the experience information provided by the appraiser to the Seller/Servicer.

Effective as of June 2, 2025, the Seller/Servicer must ensure that any appraisal firm engaged by the Seller/Servicer for a Freddie Mac Mortgage agrees to adopt and maintain security measures sufficient to protect and safeguard its Electronic Signature from loss, theft and unauthorized or improper disclosure or use.

The Seller/Servicer must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Servicer identifies a problem area, the Seller/Servicer must take appropriate action to correct the problem. The Seller/Servicer must keep written records of any activity under this internal control system and provide them to Freddie Mac upon request.

## **60.8 Non-Discrimination (12/14/23)**

The appraiser must describe the Property and the neighborhood in factual, unbiased and specific terms. The appraiser may not consider any information about the geographic area, neighborhood,



occupants, owners or prospective owners of the Property that involves the following prohibited factors (“Prohibited Factors”):

- Race
- Color
- Religion
- National origin
- Sex, sexual orientation, and gender identity
- Marital status
- Age
- Receipt of income derived from any public assistance program
- Exercise of any federally protected civil right
- Familial status
- Disability

As a matter of corporate policy, Freddie Mac reserves the right to reject any Mortgage supported by an Appraisal that makes reference to Prohibited Factors or incorporates subjective terminology or veiled language that may indicate underlying bias or discrimination.

### 60.9 Effective date of Appraisal (04/18/24)

For additional requirements that are applicable, see the [Additional Appraisal Requirements Memorandum](#) available at [mf.freddiemac.com](http://mf.freddiemac.com), as referenced in Section 60.1(a).

The effective date of the most current Appraisal must be within six months before the date on which the Mortgage's full underwriting package is delivered to Freddie Mac. The Seller/Servicer also must submit all other Appraisals completed on the Property in the past three years, if available to the Seller/Servicer and appropriate under the ethics provision of USPAP. See also Section 60.10.

### 60.10 Revised and updated Appraisals (02/27/25)

1. For Mortgage loans taken under Seller Application on or after **June 2, 2025** or for conversion packages delivered on or after **June 2, 2025** that require an updated Appraisal, an Appraisal Revision Summary detailing the changes between the initial Appraisal delivered to the Seller/Servicer and the Appraisal delivered in the full underwriting package to Freddie Mac must be provided if there is any of the following:
  - More than a 2% increase in value between the two versions of the Appraisal;



- Change to the income approach (e.g., changes to income, rent comparables, vacancy, expense(s), expense comparables, and/or capitalization rates)
- Change to the sales comparison approach (i.e.; adding or removing sales comparables and/or changes to the adjustment grid)

If the Appraisal is revised during the underwriting process to trigger any of the above conditions, the Appraisal Revision Summary must be updated to detail the change(s) between the Appraisal delivered in the full underwriting package and the final Appraisal accepted by Freddie Mac.

2. If Freddie Mac receives an Appraisal with an effective date that is more than six months before the date on which the full underwriting package is delivered to Freddie Mac, the Seller/Service must obtain an updated Appraisal from the appraiser. For the updated Appraisal, the appraiser must, at minimum:

- Reinspect the Property,
- Resurvey the rental comparables, and
- Review the market for any additional sales comparables or changes in capitalization rates

The documentation that provides the updated Appraisal must clearly indicate the steps that the appraiser performed for the updated Appraisal and discuss the changes, if any, between the original Appraisal and the updated Appraisal.

A letter or abbreviated report such as the Restricted Report from the appraiser stating general conclusions (for example, that the value of the Property has not decreased since the original Appraisal) is not acceptable.

In addition to these requirements, the report must comply with the requirements and advice provided in USPAP for an update of a prior Appraisal.

## 60.11 Appraisal form (06/27/19)

Freddie Mac expects that the Appraisal will be in a narrative format written to comply with the Appraisal development and report content requirements of the USPAP.

Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program must be 50 pages or less. Addenda to these Appraisals are not included in the 50-page count.

Effective with underwriting packages delivered to Freddie Mac on or after August 1, 2019, appraisals submitted to Freddie Mac for Mortgage loan origination in the Targeted Affordable Housing Express (TAHX) program and with an appraisal effective date of value on or after August 1, 2019 must be 75 pages or less. Addenda to these appraisal reports are not included in the 75-page count.



The page count for SBL and TAHX Appraisals begins with the Title Page of the report and ends with the page prior to the Addenda of the appraisal report.

Addenda material can include:

- Insurable value
- Assumptions and Limiting Conditions
- Appraiser's Certification / Signature
- Subject Photos
- Comparable sales outlines
- Comparable rental outlines
- Rent roll
- Historical financials
- Floor plans
- Site plans / Plat / Survey
- Qualifications of the appraiser and state Certification certificate
- Engagement letter

The Seller/Service 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/Servicer delivers an Appraisal to Freddie Mac, the Seller/Servicer is deemed to make the warranties regarding the Appraisal set forth in Section 5.4. The Seller/Servicer must review each Appraisal in detail for its completeness, accuracy, appraising logic and adherence to the requirements of this chapter. The Seller/Servicer must ensure that the Appraisal submitted to Freddie Mac incorporates corrections and/or resolution of any material errors or omissions found during the Seller/Servicer's review of the Appraisal. If required by Freddie Mac, the Seller/Servicer must provide to Freddie Mac a copy of its review of the Appraisal concurrent with the transmittal of the Appraisal to Freddie Mac.

Each Appraisal must:

- Comply with and state its compliance with the USPAP in effect as of the date of the Appraisal
- Comply with and state its compliance with the current version of the FIRREA, including its Title XI regulations
- Disclose any steps taken by the appraiser to comply with the competency provision of the USPAP, if required; and
- Specifically disclose any extraordinary assumptions and/or hypothetical conditions, or explicitly state the lack of any such conditions

The Seller/Servicer must direct the appraiser to include the following language verbatim in the letter of transmittal above the appraiser's signature and/or on the appraiser's Certification page above the appraiser's signature:

"This report is for the use and benefit of, and may be relied upon by,

- a) the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");
- b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c) governmental agencies having regulatory authority over Lender;
- d) designated persons pursuant to an order or legal process of any court or governmental agency;
- e) prospective purchasers of the Mortgage; and
- f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;



- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

The appraiser must perform the functions stated in this section and in Sections 60.13 through 60.19 to ensure the completeness of each Appraisal.

**a. Completeness (06/16/22)**

The Appraisal must adequately describe the geographic area, neighborhood, rental competition, sales comparables, site and improvements. Generally, regardless of report format, the Appraisal must demonstrate a market value supported by the reconciliation of the three recognized approaches to value: Income Approach, Sales Comparison Approach, and Cost Approach.

For appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, if the Property is more than five years old, the appraiser must include both the Income Approach and Sales Comparison Approach. However, Freddie Mac will not require a Cost Approach or a separate analysis of land value.

For all other Properties, the appraiser must thoroughly explain and support the exclusion of any of the three approaches to value.

If the Property is not operating at stabilized operations, appropriate consideration must be given in each of the approaches to value.

The appraiser must consider, analyze and report all information that appropriately and lawfully influences value even if not specifically requested by the Seller/Servicer or, Freddie Mac.

**b. Inspection (04/18/24)**

For additional requirements that are applicable, see the [Additional Appraisal Requirements Memorandum](#), as referenced in Section 60.1(a).



At least one appraiser signing the report must have made both an interior and exterior inspection of the Property. The interior inspection must include interior common areas, community amenities, a sample of unit interiors and commercial suites. In addition to exterior inspections of residential units, the exterior inspection must also include any accessible areas that are subject to nonresidential leases as defined in Section 8.11(a) and Section 8SBL.11(a).

Since the Seller/Service's delivery of the property condition report and environmental report to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13 for a description of these circumstances), it is important that the appraiser's inspection of the Property be sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the Appraisal's discussion, analyses, and valuation conclusion.

1. For Properties with fewer than 25 units, the appraiser must inspect:

- A minimum of two units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 5 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

2. For Properties with 25 to 50 units, the appraiser must inspect:

- A minimum of three units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than five residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.





3. For Properties with more than 50 units, the appraiser must inspect:

- A minimum of five units
- All vacant units to determine their state of readiness for occupancy
- All Down Units to determine and comment on the amount of repairs/renovations necessary to make them ready for occupancy
- At least one unit of each unit type and comment on the marketability of each unit type's floor plan, design, layout, amenities, and level of finish
- A representative sample of the commercial units, chosen by the appraiser. The appraiser must include in the report which units were inspected and a description of the level of finish

If this requirement results in more than 15 residential units to be inspected, the appraiser may sample the vacant units, but all Down Units must still be inspected regardless of the number of Down Units. The appraiser must clearly state in the Appraisal how this sample was selected.

4. The Appraisal must identify the specific units inspected and into which category each unit falls.
5. For SBL Properties, the appraiser must inspect the improvements (if able to be visually inspected) and report if they are generally aligned with evidence of capital expenditures or construction provided by the Seller.
6. The appraiser must report any physical condition concerns with the Property's land or improvements observed during the appraiser's inspection of the Property or known to the appraiser.
7. The appraiser must report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
8. It is not acceptable for the appraiser to merely state that the appraiser did not notice any physical and/or environmental issues during their inspection; the appraiser must discuss the extent of the appraiser's inspection for these issues.
9. Appraisers must report the extent of their due diligence and describe their environmental observations, analysis and conclusions in the Appraisal. It is not acceptable for the appraiser to only state that the appraiser is not qualified to detect environmental issues and thus has made no observations during their physical inspection of the Property.

**c. Tax information (07/01/14)**

The appraiser must consider, analyze and report property tax and assessment requirements of the jurisdiction where the Property is located. The appraiser must verify that the Property



has been fully or partially assessed and provide the most recent assessment date and the next scheduled assessment date of the Property. The appraiser must consider, analyze, adequately support and report any effect on value due to future scheduled assessments, property tax abatements or other property tax benefits.

Property tax comparables must be part of the discussion of the Property's appropriate level of tax liability. The appraiser should identify the taxing jurisdiction of each of the property tax comparables and include in the discussion any differences in valuation methodology, tax rates, and/or reassessment schedules between these and the Property's taxing jurisdiction.

The risk of the Property's reassessment must be considered and appropriately analyzed and reported. Any adjustment to the capitalization rate must have adequate support and discussion.

**d. Sales and other concessions (09/28/18)**

- 1) The Seller/Servicer must provide to the appraiser and the appraiser must consider, analyze and report any
  - Current or expired sales contracts, option contracts, contracts for deed, master lease and/or listings of the Property known to the appraiser, and the contract or listing price.
  - Sales of the Property within the past three years

The appraiser must analyze and discuss any material difference between the final appraised value and any recent sale, contract, option and/or master lease of the Property.

- 2) The appraiser must identify the current owner of the Property as described in the local land records
- 3) If the Property is subject to a current sales contract, the appraiser must identify the potential purchaser
- 4) If available to the appraiser, the appraiser must report:
  - a. How long the Property was on the market
  - b. Number of offers
  - c. The owner rationale for selecting the buyer's offer

**e. Property condition report (10/14/16)**

The appraiser must consider how the results of the property condition report or the appraiser's observations during property inspection affect the value of the Property.

If there are issues identified by the consultant that could materially affect the value of the Property, prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac, the Seller/Servicer must provide the appraiser with the property condition report ordered by the Seller/Servicer as part of the Mortgage loan transaction process. For expediency, the report can be delivered to the appraiser in draft form, as long as the appraiser notes in the Appraisal report that it was provided with a draft property condition report. If the final version



is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address a Property condition issue, the appraiser must still consider that issue's effect on market value since the availability of cash to the Property owner for repairs or renovations should not affect the Property's market value.

If provided with a third-party property condition report, the appraiser must:

- Identify the engineering/consulting firm that prepared the property condition report, the effective date of the report, and whether it was a final version or a draft
- Report the conclusions and recommendations of the property condition report
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factor(s) and incorporate them into the value of the Property
- Use the property condition report as the starting point for its estimate of Replacement Reserve deposits unless the appraiser otherwise documents and discusses an alternative reserve figure in the Appraisal

If not provided with a third-party property condition report, the appraiser must do all of the following:

- Apply the observations regarding Property condition or obsolescence from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factors and incorporate them into the value of the Property
- Base its estimate of Replacement Reserves on specific market evidence or other substantive basis

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the effect or non-effect on value of an identified physical condition issue. If there is an issue identified in the property condition report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser needs to discuss why the appraiser has drawn that conclusion.

#### **f. Zoning and other legal issues (06/25/20)**

1. For all Mortgages, the appraiser must consider, support, and discuss how zoning and other legal issues (including shared access agreements, easements, and compliance with local rent control statutes) affect the value of the Property.



The appraiser must, reference the authoritative zoning source in the Appraisal, comparing the Property to competing properties, and addressing at a minimum:

- Parking ratio compliance
  - Density compliance
  - Rebuildability restrictions in the event of substantial damage or casualty loss to the Property
2. If a Mortgage meets either of the following conditions, a third-party zoning consulting report might not be part of the underwriting package, so it is important that the Freddie Mac underwriter and the appraiser have pertinent information regarding the Property's compliance with local zoning regulations and other legal considerations on the Property and the effect these regulations or issues have on the Property's market value:
- The Mortgage
    - Is a non-SBL Mortgage with an initial principal balance of \$20 million or less, or is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate, and
    - Is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage.

Furthermore, if the Mortgage meets any of the above conditions, the appraiser must include an opinion as to the legality of the zoning of the Property. The Property is either:

- Legal
- Legally non-conforming
- Illegal
- Other, with explanation

The preferred method is for the appraiser to provide a quote or reference from an appropriate local zoning office official or employee as to the concluded zoning status (i.e., "Ms. Johnson, XYZ County Zoning employee stated in an email on XYZ date that the subject property is legally non-conforming..."). Without such a quote or reference, the appraiser must provide its professional opinion as to the legality of the zoning of the Property, (i.e., "Based on the subject's actual use, its developed density, parking ratio, (and whatever else that might be appropriate), it appears that the subject property is legally non-conforming.")

The appraiser cannot merely state that they are not experts in this field or that the client should consult a legal expert. Freddie Mac is requiring that the appraiser use its professional expertise to either consult the appropriate local governmental authority or to render a professional opinion on the legality of the zoning of the Property although it is acceptable for the appraiser to provide a disclaimer around its professional opinion.

The following chart, or a similarly constructed chart containing this information, must be completed for and included in each Appraisal for which a zoning report is not submitted:



General Zoning Information			
Property Name			
Property Jurisdiction			
Existing Zoning Classification			
Date of Existing Zoning Ordinance			
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)			
Category	Actual	Required	Conforming Status
Current use			
Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
Additional Zoning Compliance Information (if a survey or other materials are available):			
Minimum Lot Width/Frontage			
Maximum Height			
Setbacks:			
Front/Street			
Side			
Rear			
Landscape buffers			
Appraiser's Conclusion on Conformity:			
Other information pertinent to the Property's zoning classification:			
Reconstruction clause, including rebuildability threshold:			

If the Property is legally non-conforming or illegal, the appraiser must discuss whether the subject can be rebuilt to its current configuration and, if not, analyze the effect on market value in the Sales Comparison Approach, the Cost Approach, and in the Income Approach. If the Property is not subject to a rebuildability requirement, the appraiser must state so.



### 60.13 Environmental reports (12/14/23)

The appraiser must consider how the results of the environmental report or the appraiser's observations during the property inspection affect the value of the Property.

If there are issues identified by the environmental consultant that could materially affect the value of the Property, then prior to the Seller/Service's transmittal of the Appraisal to Freddie Mac, the Seller/Service must provide the appraiser with the environmental report ordered by the Seller/Service as part of the Mortgage loan transaction process and any other environmental reports on the Property retained by the Seller/Service. For expediency, the environmental report can be delivered to the appraiser in draft form, as long as the appraiser notes in the appraisal report that the appraiser was provided with a draft. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Service and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address an environmental issue, the appraiser must still consider that issue's effect on market value. The availability of cash to the Property owner to correct an environmental issue should not affect the Property's market value.

If provided with a third-party environmental report, the appraiser must:

- Identify the environmental consulting firm that prepared the report and the effective date of the report, and whether it was a final version or draft
- Report the conclusions and recommendations of the environmental report
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property
- Report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
- Analyze and discuss how the identified environmental conditions affect the value and marketability of the Property based on market data relating to increased risk and uncertainty, environmental stigma, reduced occupancy and rent levels, limitations on property use, cost of remediation, and any other relevant characteristics or environmental risk factors.

If not provided with a third-party environmental report, the appraiser must do all of the following:

- Apply the observations regarding environmental issues from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property



In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the impact or non-impact on value of an identified environmental issue. If there is an issue identified in the environmental report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser must discuss why it has drawn that conclusion.

#### **60.14 Valuation methodology (04/18/24)**

Since the Appraisal must, at minimum, estimate the as-is leased fee market value of the Property, appropriate adjustments are required to any analysis of fee simple data within the Appraisal. Examples include:

- Capitalization rates extracted from comparable sales must be consistently applied to the Property based upon actual or pro forma income. When appropriate, an adjustment must be made to reflect the Property's leased fee ownership interests being appraised.
- The traditional Cost Approach is typically developed as a fee simple value; as such, the methodology must be appropriately adjusted to reflect the Property's leased fee ownership interest.
- An analysis with 100 percent market rents, without consideration of the Property's actual in-place rents, is not a leased fee value estimate [see Section 60.14(c)].

##### **a. Cost approach (07/01/14)**

If developed, the cost approach conclusion must reflect the leased fee ownership interest in the Property (or leasehold interest if the Property is subject to a ground lease), and the appraiser must include proper adjustments for any items adverse to the Property's marketability, such as deferred maintenance, physical deterioration and functional and economic obsolescence. The Appraiser must specifically describe the estimates of accrued depreciation and entrepreneurial profit. The estimated land value must indicate the market value of the land, recognizing its highest and best use.

If the cost approach is omitted in the Appraisal, the appraiser must adequately provide a Property-specific explanation for its omission. Generic statements such as "investors typically do not consider the cost approach when they purchase this type of property" or "there is difficulty estimating depreciation due to current market conditions" are not acceptable and miss the point of the benefits of a cost approach analysis.

If the appraiser uses cost comparables as part of the estimate of replacement cost, it must include sufficient descriptions including, where appropriate, a photograph of the comparable properties to allow the reader of the Appraisal to adequately understand the construction similarities between those comparables and the Property.

##### **b. Sales comparison approach (04/18/24)**

For additional requirements that are applicable, see the [Additional Appraisal Requirements Memorandum](#) available at [mf.freddie.mac.com](http://mf.freddie.mac.com), as referenced in Section 60.1(a).





The appraiser must support the value indicated by the sales comparison approach by analyzing the sales of at least four comparable properties.

The appraiser may use the Property as a comparable sale as long as the appraiser provides four additional comparables to the Property.

The sales comparables must be physically and locationally similar to the Property and must have been sold recently. The appraiser must make proper adjustments, when necessary, to the sales comparables for such items as real property rights conveyed, financing terms, conditions of sale, date of sale, location, physical characteristics and amenities. The appraiser must adequately explain those adjustments.

If there is an absence of recent comparable improved sales, the appraiser must consider that absence in estimating the market value. Current contracts and competitive property listings can be helpful to round out the appraiser's analysis if they are indicative of the state of the current market. The weight given to a contract or listing might be different from the weight given to the actual sales transactions, and the appraiser must discuss these differences in the Appraisal.

For each comparable used, the appraiser must identify the primary data source(s) used to verify comparable sales data, for example, whether the comparable property's financial and transaction information was gathered as part of the site visit or obtained from an earlier written appraisal by the appraiser's firm, a sales brochure, an individual associated with the sale, or a combination of sources. If the appraiser obtained the comparable property's information from an individual, the appraiser must identify the name, company and title of the individual, if available.

The appraiser may use a multiplier, either a potential gross rent multiplier or an effective gross income multiplier if the multiplier is customarily used in the Property's market area. The appraiser must derive the multiplier from recent sales of comparable properties in the market area of the Property. The appraiser must properly analyze the multiplier based on the overall quality and reliability of the gross income the Property has produced or is reasonably expected to produce. If the appraiser develops a valuation from a multiplier analysis, it should be reported in the Income Approach (See Income Approach requirements in Section 60.14(c) for additional information.).

The appraiser must not apply an adjustment to the comparable sales for differential net operating income or develop a net income multiplier for the sales since these methodologies duplicate the techniques or value indicators used in direct capitalization in the Income Approach. The Sales Comparison Approach must focus on similarities and differences that affect value, which may include variations in property rights, financing terms, market conditions, and physical characteristics and the causes of income variation, not just that net operating income of the comparable is different than the Property's (either on a per-unit basis or applying a net income multiplier). The appraiser must discuss and adjust for the causes of the differences in NOI, not just note that a difference exists.

The appraiser must refrain from adjusting the comparable properties' sale prices for expenses, costs, or renovation that are to be incurred by the buyer after the date of the sale transaction since these costs and expenditures are not typically part of the transaction/consideration price for the property.



**c. Income approach (04/18/22)**

For additional requirements that are applicable, see the [Additional Appraisal Requirements Memorandum](#) available at [mf.freddiemac.com](http://mf.freddiemac.com), as referenced in Section 60.1(a).

The appraiser must derive the value indicated by the income approach by considering the following economic factors:

1. The forecasted gross income must consider historical rents of the Property, current rents of the Property and rents currently obtained from comparable units (similar in amenities, location, size, type, style and quality) adjusted for market concessions, rent abatements, discounts and the like. The influence and limitations of rent control, rental concessions, historical trends and other relevant factors must be reviewed and analyzed relative to the forecasted gross income of the Property.

The appraiser must analyze and discuss the difference, if any, between the Property's actual recent contract rents and the appraiser's estimate of the Property's market rents, and their impact on the leased fee value of the Property. If the appraiser's estimate of market rent is dissimilar to the recent leasing at the Property, the appraiser must provide an adequate discussion and explanation of the variance.

2. The estimated vacancy and collection loss must consider historical data of the Property, current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.
3. The forecasted expenses and Replacement Reserves must be comparable with the historical data of the Property and comparable with known and verified expenses in the market area, measured, at a minimum, on a per-unit basis and as a percentage of effective gross income. The identification of the expense comparables must include, at minimum, the comparable property's number of units, the age of the Property (year built and/or renovated), its physical condition, its location and the time period indicated by the expenses. The forecasted expenses and Replacement Reserves must consider future changes in expense or reserve levels.
4. The Capitalization Rate must be based on factors reflecting the investment characteristics of typically knowledgeable investors for properties similar to the Property.

The appraiser must develop the Capitalization Rate using each of the following techniques, if practicable:

- Extraction from comparable sales with analysis of the comparables' variations, if any, from the Property's economic and physical characteristics. Capitalization rates extracted by pro forma income or with actual income must be reconciled consistently with the appraiser's estimate of the Property's income.
- Published sources (preferably more than one published data source, and preferably a source that focuses on the Property's local market, not general national data).



- Personal surveys and interviews with market participants, with date of survey and names/titles of the individuals surveyed.
- Band of Investment model (also known as mortgage equity technique) with specific reference to the sources of the financial data assumptions.
- Debt coverage ratio model - with specific reference to the sources of the financial data assumptions.
- For Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, the capitalization rate must be supported with comparable sales and with the appraiser's survey/interviews of local real estate participants for knowledge of the Property's submarket and investment considerations. These surveys and/or interviews should be documented with the date of survey (month/year is sufficient) and if not confidential, the name, title, and company of the individual surveyed or interviewed. If these items are confidential, the appraiser must provide a description of the position or background of the individual in the Appraisal report.

Development of capitalization rates from Ackerson or Ellwood methodologies is not appropriate for Appraisals for Freddie Mac.

5. When a multiplier analysis is developed, the appraiser should adequately analyze and discuss the comparability of the comparable sales' multipliers in terms of expense ratios and expenses per unit. Additionally, comparability of operating expenses should be analyzed and discussed both with and without inclusion of real estate taxes since taxes may vary materially between the Property's taxing jurisdiction and that of the comparable sale. This variability may have a material effect on the observed multiplier and comparability with the Property.

The development of a multiplier analysis for the valuation of the Property does not exempt the appraiser from adequately analyzing and discussing the Property's operating expenses as required by Section 60.14(c)(3).

For Properties with more than 30 units, a multiplier analysis is not recommended; the appraiser should develop a direct capitalization approach.

A net operating income multiplier is not acceptable.

6. A discounted cash flow analysis (DCF) is typically redundant and not required in the development of the income approach for a multifamily property unless the Property is not functioning at stabilized operations and/or occupancy.
  - If developed, the cash flow period for the DCF must reflect the period necessary to achieve stabilized operations, unless local practice dictates otherwise, and may be developed with monthly, quarterly, or annual cash flows, depending on the time period of unstabilized property operations
  - In lieu of, or as a supplement to, a DCF analysis for an unstabilized property, the appraiser can consider the present value of lost revenue, operating expenses, and



necessary repairs, renovations, alterations as adjustments to value

- Key assumptions used to develop the DCF must be adequately discussed and supported in the Appraisal including rent and expense changes, discount rate, reversion capitalization rate, and absorption period
7. In the Income Approach, the value can be developed with either a gross income analysis or direct capitalization analysis; it is not a requirement to include both methodologies in an Appraisal report.

### **60.15 Area information (06/16/22)**

The appraiser must report and accurately explain appropriate and lawful positive or negative factors about the Property's neighborhood, including all relevant adverse influences that affect the Property's market value.

The appraiser must

- Consider, analyze and report current and prospective regional economic trends, such as population, employment concentration and diversification, changes in supply and demand, and housing development
- Explain how regional economic trends affect appraised value

In describing the Property's market, the appraiser should emphasize the Property's neighborhood and submarket influences. Regional, State, and metropolitan market descriptions are not necessary for Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program and should be eliminated from these Appraisal reports unless there is a specific market influence on the Property that transcends the immediate neighborhood. In these instances, the appraiser should describe those larger influences with specificity, and inclusion of "boilerplate" market, metropolitan, or regional descriptions in the report is discouraged.

### **60.16 Rental competition (09/28/18)**

The appraiser must identify the primary data source for each rental comparable, such as the name and telephone number of the contact person.

The appraiser must use at least four rental comparables. The appraiser must include current rental competition that affects the Property's economic performance, for each rental comparable. The appraiser must identify and describe projects under construction, planned or proposed, that will likely affect the Property's economic performance.

### **60.17 Income and vacancy (09/08/04)**

#### **a. Market feasibility analysis (09/08/04)**

The appraiser must include a market feasibility analysis if the Property is new construction or if the Property has recently undergone major rehabilitation. The market feasibility analysis can be included as a section of the Appraisal or it can be a separate report. The market feasibility analysis must



- Consider, analyze and report the Property's current rental competition and future rental competition, including a review of projects under construction, planned or proposed that may affect the Property's economic performance
- Explain the expected stability and longevity of the Property's current rent levels and occupancy
- Support forecasted rent levels and occupancy
- Analyze rental concessions and absorption rates

**b. Vacancy (09/08/04)**

If the appraiser forecasts a vacancy percentage that is higher or lower than the current vacancy percentage, the appraiser must adequately explain the reasons for the difference in the current vacancy and forecasted vacancy. One-line explanations, such as "the market is improving," "the property has updated units" or "the competition is becoming stronger," are unacceptable.

**c. Rental factors (09/08/04)**

The appraiser must consider, analyze and report rental concessions, rental discounts and rental abatements of the Property and market area and explain how these factors affect the Property's economic performance. If the appraiser does not know of any rental concessions, rental discounts or rental abatements, the appraiser must state this fact in the Appraisal.

The appraiser must consider, analyze and report any rent control or rent stabilization of the Property or market area and explain how these factors affect the Property's economic performance.

**d. Seasonal and cyclical influences (09/08/04)**

The appraiser must consider, analyze and report seasonal and cyclical influences that may affect annual rental income and occupancy of the Property.

**e. Income (09/08/04)**

The appraiser may include income from sources other than residential units when calculating total gross income if such income is supported by at least three years' historical operations, is common in the market and is expected to continue in the future. Such other sources include commercial space, laundry, parking, cable television, vending and application fees.

**60.18 Improvements (09/30/20)**

The appraiser must report and explain any building, health and fire code violations at the Property that are known to the appraiser and explain how the code violations affect appraised value. If the appraiser does not know of any known violations, the appraiser must state so in the Appraisal.



The appraiser must report and explain any deferred maintenance known to the appraiser at the Property and explain how the deferred maintenance affects appraised value.

If the Appraisal is subject to the completion of repairs or replacements, the appraiser must report the appraised value before required repairs are completed ("as is" value) and report the appraised value after the required repairs are completed ("as completed") value. The appraiser must estimate the cost to complete the needed repairs.

If the Appraisal indicates the presence of any defects or conditions with respect to the Property, such as dampness, infestation or abnormal settlement, the appraiser must describe the effects of these deficiencies on the appraised value and marketability of the Property.

For SBL Properties, the appraiser must review any information provided by the Seller regarding major past renovations or construction and identify any effect on the appraised value and marketability of the Property.

The appraiser must:

- Estimate the cost to complete the required repairs and any accompanying entrepreneurial profit, if applicable, and
- Estimate the prospective date that repairs are to be completed, and
- Analyze and describe any prospective vacancy issues resulting from the repair process, and
- Estimate the prospective date that lease-up due to repairs is estimated to be completed, and
- Adequately describe, analyze, and discuss the effect of the repairs on market value

The appraiser may rely on the data, discussion, and conclusions of the property condition report and the environmental report in analyzing and reporting on the property's improvements.

## **60.19 Commercial space and other nonresidential leases (02/17/22)**

For Appraisals of Properties containing commercial space and other nonresidential leases as defined in Section 8.11(a) or Section 8SBL11(a), the appraiser must include a rental analysis containing at least three comparable rentals for each type of tenant.

For each comparable commercial and other nonresidential lease, the appraiser must provide:

1. Name of the tenant
2. Type of business
3. Address or unit number(s)
4. Leased square feet
5. Annual prospective contractual rent for each of the next three years



6. Concessions (if any)
7. Lease commencement date
8. Length of lease
9. Renewal option, if any
10. Any other material lease terms

Property lease abstracts must contain, at a minimum, the following basic data, as applicable:

1. Term
2. Lease commencement date
3. Lease expiration date
4. Exact name of tenant
5. Type of business
6. Base square footage
7. Core or conversion factors
8. Calculation of gross rent
9. Calculation of percentage rent
10. Calculation of expenses
11. Expense stop
12. Reimbursement of expenses
13. Option to purchase clause

For Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, the depth and detail of information required in this section may not be available to the appraiser. In these instances, the appraiser must use its best efforts to comply with the intent and scope of this section. If the appraiser varies from the requirements of this section, there must be an explanation of the variance in the Appraisal Report.

For all Properties that contain commercial space, the appraiser must segregate rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to commercial rental space from rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to residential rental space. If the appraiser is unable to segregate commercial space and residential rental space, the appraiser must explain why the space cannot be segregated. Separate values for the commercial space and residential space





are not required but must be provided if the commercial space can be marketed and sold separately from the residential space.

The appraiser must provide data that support the appraiser's estimate of the property's commercial vacancy rate, a discussion of tenant rollover risk, and cost of tenant improvements to re-lease the space.

## **60.20 Attachments to the Appraisal (09/28/18)**

The appraiser must attach the following, if applicable, to the Appraisal:

1. A copy of any current sales contracts, option contracts, contracts for deed or listings of the Property
2. A legible, certified current rent roll provided to the appraiser by the Seller/Service, legible Income and Expense Statements for the past three calendar or fiscal years (as applicable), if available, and legible year-to-date Income and Expense Statements for the Property, all dated within 30 days before the Appraisal
3. Color photographs of the Property's exterior, interior common areas, typical unit interiors, surrounding area, rental comparables, sales comparables and commercial rental comparables. The date and source of each photograph (i.e., the appraiser's original photograph, photocopied from the internet, and photo scanned from a marketing brochure) must be clearly identified in the Appraisal.
  - Unless otherwise identified within the Appraisal, the photographs of the sales comparables must be reflective of the property at the time of sale.
  - Unless otherwise identified within the Appraisal, the photographs of the Property must be reflective of the Property as of the effective date of the appraisal value.
4. Maps showing the location of the Property relative to the location of the land comparables, current rental comparables, future rental comparables and sales comparables
5. If the Property contains commercial space, legible copies of all executed commercial leases, riders and amendments
6. A complete legal description of the Property (see Section 29.3)
7. A survey or recorded plat of the Property, if available (see Section 29.5)
8. If the Property is subject to ground leases, a copy of all ground leases
9. Any other information that ensures the completeness of the Appraisal
10. The appraiser's qualifications and the supervising or review appraiser's qualifications
11. A copy of the complete, signed engagement letter and a copy of any other communications about the scope of the Appraisal between the appraiser and the Seller/Service



Freddie Mac will also accept a market study incorporated into the Appraisal.

## **60.21 Insurable value (07/01/14)**

Insurable value must be provided in all Appraisals.

The Replacement Cost is the cost to reconstruct a Property of an equal number of units with equal quality of building materials with equal utility that would be acceptable to the typical investor and tenant in the market in which the Property is located. Replacement Cost is not the cost to construct a replica of the Property.

For insurance purposes, the Replacement Cost may not include goodwill or other intangibles such as value/cost of the land, a deduction for depreciation, cost of site improvements, (e.g., driveways, parking lots, sidewalks, or landscaping), or cost to reconstruct the foundation(s).

## **60.22 Student Housing Appraisal requirements (06/16/22)**

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Student Housing Properties. The Appraisal must be prepared by an appraiser who has experience in valuing Student Housing Properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must consider the following:

- Trends in student population or enrollment,
- Changes in the supply of on- or off-campus housing, whether sponsored by the school or planned and built by private developers (such as dormitories, for-profit or not-for-profit apartments, and fraternity or sorority housing),
- Distance from the Student Housing Property to the school, and available transportation,
- Any school policies affecting student residency (for example, requirements for freshmen and sophomores to live on campus), and
- Changes to school-sponsored amenities, whether on- or off-campus.

Freddie Mac requires the use of comparable properties that were purchased, developed or leased for student housing. If comparable student housing properties are not available in the local market, the appraiser may use comparable regional student housing properties. The appraiser must evaluate the comparable property and the school it serves with the Student Housing Property based on the factors described above: student population trends, supply of student housing, distance and transportation between school and housing, amenities, school policies affecting student residency and so forth. These requirements apply to building sales, land sales and rental comparables.

If comparable local or regional student housing properties are not available, non-student housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-student housing to the Student Housing Property.



### **60.23 Collateral evaluation for tax abatement (07/01/14)**

For all Appraisals of a Property with a tax abatement, the preferred Freddie Mac valuation methodology is as follows:

- First, full, stabilized real estate taxes are used to calculate the NOI that is used to determine the property value with full taxes.
- Next, the present value of the tax savings over the term of the tax abatement is determined using a discount rate supported fully by the appraiser.
- The present value of the tax savings is then added to the property value with full taxes to determine the value of the Property with the tax abatement.

Note: If local practice is different from the Freddie Mac preferred methodology, the appraiser may use the local methodology, provided that any differences in technique are fully discussed in the Appraisal.

The appraiser must demonstrate in the Appraisal that the tax abatement is likely to continue for its stated term. This can be accomplished by a variety of methods including a review and discussion within the Appraisal of the tax abatement agreement and/or documented conversation and confirmation of the tax abatement by the Appraiser with the local property tax authority or tax abatement-granting agency.

### **60.24 Affordable Housing and Targeted Affordable Housing (12/14/23)**

In addition to the other requirements of this chapter, the following requirements are for Appraisals of affordable housing properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing affordable housing properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.
2. The appraiser must consider and analyze factors that affect the supply and demand of affordable housing in the subject's market area, including the following:
  - Demand:
    - Trends in household income, especially related to Area Median Income (AMI) tranches applicable to the subject's affordable rental structure
    - Trends in occupancy of competing/similar affordable housing properties and market rent properties in the subject's market area
    - Proximity to public/mass transportation
    - Other statistical or researched demand factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
  - Supply:
    - Proposed, ongoing, and recent changes in the supply of affordable housing properties within the Property's market area



- Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market
  - Other statistical or researched supply factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as affordable housing. If comparable affordable housing properties are not available in the local market, the appraiser may use comparable regional affordable housing properties. These requirements apply to building sales, land sales, rental comparables and capitalization rate comparables.
4. If a sufficient number of comparable local or regional affordable housing properties are not available for analysis, non-affordable housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-affordable housing to the affordable housing Property, including marketing time and information derived from the most recent U.S. Census for the location of the Property, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.
5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. For Appraisals directly ordered by Freddie Mac for asset management purposes, the appraiser must also opine, describe and support if the highest and best use of the Property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an estimate of market value considering the time period necessary to phase in non-restricted rents.

In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

6. If the Property has HUD Project-based Section 8, the appraiser must include the following values:
- The value using the project-based contract rents, and
  - The value using the lower of market, project-based contract rents, or achievable LIHTC rents (if applicable) for each type of unit
7. If the Property has not achieved stabilized operations, the appraiser must develop both an "as-is" and an "as-stabilized" value.
8. If the Property is to be built and is collateral for a Forward Commitment, the appraisal must meet the requirements of Section 60.30.



## **60.25 Seniors Housing Properties (12/14/23)**

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Seniors Housing Properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing seniors housing properties (i.e., independent living properties and assisted living properties) as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Service's files.
2. The appraiser must consider the following:
  - Demand:
    - Trends in the target service area of the subject property indicative of the depth of residency eligibility such as senior population growth or retraction, changes/trends in income and/or net worth of individuals eligible for residency in the subject property, and other factors of seniors housing demand
    - Trends in occupancy of competing/similar seniors housing properties and market rent properties in the subject's market area
    - Other statistical or researched demand factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
  - Supply:
    - Proposed, ongoing, and recent changes in the supply of seniors housing properties within the property's market area.
    - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market area
    - Other statistical or researched supply factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as seniors housing. If comparable seniors housing properties are not available in the local market, the appraiser may use comparable regional seniors housing properties. These requirements apply to building sales, land sales, rental comparables, and capitalization rate comparables.
4. If a sufficient number of comparable local or regional seniors housing properties are not available for analysis, non-seniors housing properties may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-senior housing to the Senior Housing Property including, but not limited to, marketing time and information obtained from the most recent U.S. Census, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.



5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. In addition to the hypothetical value if leased at non-restricted rents, the appraiser must opine and support its opinion if the Highest and Best Use of the property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an as-is estimate of market value considering the time period necessary to phase in non-restricted rents.

In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

The Appraisal will clearly and prominently report the total market value of the Property as well as an allocation for contributory business value, personal property and/or other non-real estate items. The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

#### **60.26 Manufactured Housing Communities value (07/01/14)**

In addition to the requirements in this chapter, specific appraiser and Appraisal requirements for Manufactured Housing Communities can be found in Section 22.5.

#### **60.27 Appraisals for lease-up programs (09/25/15)**

Freddie Mac has two types of lease-up offerings: Acquisition Lease-Up and Refinance Lease-Up.

For Properties to be specifically underwritten in either of these two programs, the Appraisal must provide the as-is value of the Property as of the effective date of the Appraisal report (i.e., the current date) and the prospective as-stabilized value as of the prospective future date of stabilized operations for the Property. The Freddie Mac Underwriting Value is based on the prospective as-stabilized value.

The Seller must provide guidance to the appraiser should these values be required.

#### **60.28 Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages and Preservation Rehabilitation Mortgages (02/28/20)**

1. For a Mod Rehab Mortgage, the appraiser must provide the following two values of the Property based on all applicable approaches to value:
  - As-is market value
  - Hypothetical as-if renovated and stabilized today market value
2. For a Preservation Rehabilitation Mortgage, the appraiser must provide the following five values of the Property based on all applicable approaches to value:





- As-Is market value with current restricted rents (i.e., rents in-place on the date of value).
- As-Is market value with the proposed restricted rents that will be in-place subsequent to or concurrent with origination of the Mortgage but prior to construction completion. This is a hypothetical value and does not assume that the renovations are completed on the date of value; just that the proposed restricted rents are in place.
- As-is market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
- Hypothetical as-if renovated and stabilized at current market value with restricted rents that will be in-place when the Property is renovated and stabilized. This is a hypothetical value.
- Hypothetical as-if renovated and stabilized at current market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

The as-is market value is the market value of the Property as of the day of the appraiser's inspection, assuming no renovation work has been done. Standard appraisal approaches and industry best practices in accordance with this chapter apply. This value provides a baseline to determine how much additional value the renovation project might generate.

The hypothetical as-if renovated and stabilized current market value assumes that all planned renovations are complete and the Property has achieved stabilized operations as of the date of the appraiser's inspection. This valuation scenario should not simply add the renovation budget total to the as-is market value, as this calculation might not be indicative of actual contributory value of the planned renovation.

The as-is market value and hypothetical as-if renovated and stabilized current market value are imperative to the credit and underwriting analysis of the Freddie Mac transaction. The Seller/Servicer must provide the appraiser with the pre-construction analysis report, as described in Chapter 63, and the appraiser must provide its opinion on all of the following:

- The specific elements of the renovation that would or might affect market value
- The time needed to complete the planned renovations
- The time needed to achieve stabilized operations after completion of the planned renovations

The appraiser must analyze the effects of the renovation on each of the approaches to value used in the appraisal report. For example, by installing new stainless steel energy saving appliances, the rent might increase, utility expense might decrease, Replacement Reserves might increase and/or the capitalization rate might change due to investor's perception of the quality of the renovations, causing an impact to the appraiser's income approach and change in market value.

The appraiser must provide rents, property taxes, operating expenses, and capitalization rates data from properties that have recently experienced renovations similar to the subject or are comparable to the proposed renovated Property. If these benchmarks are not available in the local market, the appraiser must explain the extent of research to obtain this type of data and provide an adequate discussion about how these items might impact the value from the as-is market value scenario.





The appraiser must provide separate sales and rent comparables for the as-is market value and the hypothetical as-if renovated and stabilized current market value, as the renovation might promote the Property into a higher class of property.

#### **60.29 Appraisals for Mortgages with a Green Up® or a Green Up Plus® loan option (10/12/17)**

If the Seller/Servicer requests a Prospective As-Improved Market Value, the Appraisal must include both an As-Is Market Value and Prospective As-Improved Market Value.

- The As-Is Market Value is the market value of the Property, assuming no Green Improvements have been completed. Standard appraisal approaches and industry best practice per this chapter apply. This value provides a baseline to determine how much additional value the Green Improvements might generate.
- The Prospective As-Improved Market Value must assume that all Green Improvements are completed as of the current date of value.

To develop the Prospective As-Improved value, the appraiser must review the list of Green Improvements that the Borrower has committed to execute at the Property, and consider the contribution of these Green Improvements to the Property's prospective market value. The appraiser should not merely add the projected cost of the Green Improvements to the As-Is value and consider this a complete valuation.

The appraiser must consider how rents, expenses and the capitalization rate will be affected by the Green Improvements and the time it will take to implement the Green Improvements.

The appraiser must reference [Form 1106, Green Assessment](#), including the date of the report and a summary of the report's conclusions and recommendations.

Freddie Mac prefers that the Prospective As-Improved Market Value be supported by comparable sales that also had a similar scope of Green Improvements as well as by the appraiser's survey of investors, lenders, property owners and/or brokers familiar with capitalization rates and investor considerations of Green properties.

In addition, Freddie Mac recommends that the appraiser complete the "Valuation of Sustainable Buildings – Commercial" professional development program offered through the Appraisal Institute. A registry of appraisers who have completed this training can be found at the Appraisal Institute's website.

#### **60.30 Appraisals for Forward Commitment Mortgages (12/17/19)**

1. For a Forward Commitment Mortgage, the Appraisal must include the following valuation types:
  - a. As-Is current market value
  - b. Hypothetical current restricted value as-if renovated/constructed and stabilized today, with current restricted rents. This is a hypothetical value.



- c. Hypothetical current market value as-if renovated/constructed and stabilized today, without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
  - d. All other requirements of Chapter 60
2. A new or updated Appraisal will not be required at Conversion for a Forward Commitment Mortgage except if:
- a. A request has been made for a loan amount in excess of the original committed amount, or if
  - b. The Forward Commitment has been extended to a maturity date that is one year beyond the original Forward Commitment Maturity Date, or if
  - c. The appraisal is dated more than 48 months prior to the date the Conversion package is submitted.

### 60.31 Ground leases (12/12/24)

Freddie Mac purchases Mortgage loans on the leasehold interest in a subject property; *i.e.*, the ownership interest receiving the monthly rent from the property's tenants. It is important, then, that the appraiser adequately model the financial impact of the ground lease payments on the multifamily operations component and consider all aspects of the valuation risk associated with that ground lease on the subject property.

#### a. Valuation conclusions (12/12/24)

At a minimum, Freddie Mac requires the appraiser provide an as-is estimate of the leasehold market value of the subject Property on the date of value (See Section 60.1(b)).

If the Ground Lessor will not join in the Mortgage (unsubordinated ground lease), the appraiser must also provide an as-is estimate of the leased fee market value of the subject Property on the date of value.

Additionally:

- If the ownership interests will be separated by a ground lease after the date of value, the appraisal must provide both the as-is market value of the property as a whole as well as the hypothetical market value of the leasehold interest of the subject improvements subject to the ground lease, on the same/current date of value as the as-is value
- The appraisal's ground lease value might be the same or different from the negotiated terms between the ownership entities so Freddie Mac requires that the appraisal support the market value of the ground lease, not the investment value to a specific user or owner
- Copies of ground leases and amendments, even if only in draft form, must be provided to the appraiser (See Section 60.6), and the appraiser must include them in the Addenda to the appraisal report (See Section 60.20(8)).



**b. Sale of other multifamily properties that were subject to ground leases (04/15/21)**

For a valuation of the leasehold ownership interests, the appraisal must include sales of other multifamily properties that were also subject to ground leases, where available, as the basis for the Sales Comparison Approach and for the capitalization development in the Income Approach.

Additionally:

- These sales should be as similar to the subject as possible, both physically and in terms of its lease characteristics
- The search for comparable leasehold sales can be local, regional or national, depending on the transaction and property characteristics. The appraiser must discuss the scope of the search used for the comparable leasehold sale transactions.
- If these types of transactions are not available to the appraiser, the appraiser must provide transparency in the report of how they adapted leased fee transactions to the leasehold valuation of the subject property. (See Sections 60.14(b) and 60.14(c)).

**c. Additional data and analysis requirements (04/15/21)**

In addition to the requirements above:

- The appraisal must comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) regarding the value of an assemblage and not merely add the components together to derive the value of the whole.
- If the appraiser concludes that there is a value enhancement due to the separation of the ownership estates, the appraisal must explicitly provide an adequate discussion, analysis, and data to support their opinion of the incremental value of the bifurcation of the ownership
- The format of the appraisal's cash flow model would be dependent on the structure of the ground lease payments (e.g., regular cash flows, a lump sum or irregular series of cash flows)

**d. Report documentation (04/15/21)**

For the subject property's ground lease and for any ground lease or leasehold comparables, the appraiser must provide sufficient transactional information so the transaction can be validated, including, where available:

- Name of Ground Lessor and name of Ground Lessee
- Date of lease execution



- Public record reference of the deed or lease, if applicable, including parcel identification(s) for the land component and the building component
- Description of the site's improvements at the time of lease commencement
- Length and terms of lease and extensions, if any
- The structure of the lease payments
- Identification of any related-party transaction, a sale-leaseback, purchase option, or prior financing history between the parties
- Reversion: What does the ground lease require when the lease expires?
- Indicated capitalization rate, rate of return, and/or discount rate (IRR) from the transaction
- With whom this transactional information was verified

# Multifamily Seller/Service Guide

## Chapter 61

### Environmental Requirements



- 61.1 [Seller/Service environmental responsibilities \(02/16/23\)](#)
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## 61.1 Seller/Servicer environmental responsibilities (02/16/23)

Unless Freddie Mac requires otherwise, SBL Seller/Servicers must refer to Chapter 62SBL, SBL Physical Risk Report Requirements, to obtain the environmental requirements for a Property secured by an SBL Mortgage. Chapter 62SBL will reference this Chapter 61 specifically for any requirements that apply to the completion of the [Form 1104, SBL Physical Risk Report](#).

Seller/Servicers of MHC Mortgages must refer to the specific environmental requirements for Manufactured Housing Communities found in Section 22.6 in addition to the requirements stated in this chapter.

This chapter:

- Sets forth the requirements, duties and responsibilities of the Seller/Servicer, the Borrower and the environmental consultant to evaluate the potential environmental hazards associated with a Property and report this information to Freddie Mac
- Provides information regarding the requirements for conducting an environmental assessment, preparing an environmental report for a Mortgage to be purchased by Freddie Mac, resolving identified risks to qualify for the purchase of the Mortgage, developing operations and maintenance programs, and selecting an environmental consultant

### a. General Seller/Servicer environmental requirements (02/16/23)

The Seller/Servicer must exercise due diligence when evaluating a Property, make appropriate inspections and inquiries to learn its true condition and take responsible actions to manage the risk of loss from environmental hazards. To that end, Freddie Mac requires that the Seller/Servicer retain a qualified environmental consultant and submit an environmental report meeting the requirements of this chapter before Freddie Mac will issue a Letter of Commitment or accept an early rate-lock application to purchase a Mortgage.

### b. Specific Seller/Servicer environmental responsibilities (02/16/23)

For each Property, the Seller/Servicer must:

#### 1. Retain the environmental consultant

The Seller must maintain a separate environmental consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each consultant's performance, as well as the consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower is permitted to pay the cost of all environmental consultant services but may not retain or direct the environmental consultant, unless all of the following conditions are met:

- The transaction is under a Forward Commitment



- The Mortgage is being originated for the purpose of new construction
  - The environmental report is submitted to Freddie Mac in the full underwriting package prior to Freddie Mac's issuance of the Forward Commitment
  - The report meets the standards for an environmental assessment as specified in Section 61.2(b)(4) and was prepared no earlier than 12 months prior to the submission of the full underwriting package
2. Obtain an environmental report of the Property prior to delivery of the full underwriting package for all Mortgages as well as prior to Conversion for a Mortgage purchased under a Forward Commitment
  3. Determine that the environmental report meets Freddie Mac's requirements
  4. Disclose if the State where the Property is located has a law that would allow environmental authorities to place a first priority lien on the Property (an "Environmental Superlien Law")

Because an environmental superlien could take precedence over the Mortgage, the Seller/Servicer must highlight the existence of the Environmental Superlien Law when the Seller/Servicer brings to Freddie Mac's attention any conditions that could result in such a lien being imposed on the Property.

5. Disclose to Freddie Mac and the environmental consultant knowledge of any environmental matter that may affect the Property.

For all programs and products, the Seller/Servicer must make this disclosure to the *Applicable Freddie Mac Multifamily Regional Office*. TAH Seller/Servicers must make this disclosure to the *Multifamily TAH Underwriter*.

6. Disclose to the environmental consultant any prior reports describing the environmental condition of the Property
7. Obtain permission of Borrower or property manager to conduct Property inspections
8. Provide copies of the completed environmental report to the appraiser so that the appraiser may appropriately incorporate the environmental condition into the economic evaluation of the Property
9. Ensure the appropriate risk management actions have been undertaken for identified environmental hazards
10. Determine if an operations and maintenance ("O&M") program is required and obtain an O&M program that is acceptable to Freddie Mac
11. Assess the Borrower's ability to successfully execute an O&M program
12. Keep abreast of local health, safety and environmental laws governing the Property



## 61.2 Environmental assessment requirements (02/16/23)

### a. Use of a qualified environmental consultant (02/16/23)

Any environmental assessment and environmental report must be prepared by an environmental consultant who is an “Environmental Professional” as that term is defined in 40 CFR § 312.10 and who meets the qualifications and requirements specified in Section 61.17.

### b. Environmental assessment methodology (02/16/23)

#### 1. Objective

The purpose of the environmental assessment is to identify recognized environmental conditions or other potential sources of environmental liability in connection with the Property.

#### 2. Environmental issues to be evaluated

Each environmental assessment must evaluate conditions and contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which include the following issues (“Scope Issues”):

- a. Hazardous materials (see Section 61.5)
- b. Storage tanks (see Section 61.6)
- c. Polychlorinated biphenyls (PCBs) (see Section 61.7)
- d. Prior use (see Section 61.8)
- e. Neighborhood hazardous waste activity (see Section 61.9)

Each environmental assessment must also include an evaluation of the following potential environmental hazards or issues (“Non-Scope Issues”):

- a. Asbestos (see Section 61.10)
- b. Lead-based paint (LBP) (see Section 61.11)
- c. Drinking water quality (see Section 61.12)
- d. Mold (see Section 61.13)
- e. Radon (see Section 61.14)
- f. Superlien status (see Section 61.15)

#### 3. Age of environmental report



The environmental report must be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac. Freddie Mac may require that the environmental report be updated if the environmental report is dated more than six months prior to the date that the Letter of Commitment or Acceptance Letter or Modification Letter, as applicable, for an early rate-lock application is issued.

#### **4. Methodology**

The methodology for each environmental assessment must follow the requirements set forth in 40 CFR § 312 and ASTM E 1527- 21 for Scope Issues. These include requirements with respect to: records review (Section 8 of ASTM E 1527-21); site reconnaissance (Section 9 of ASTM E 1527-21); interviews (Sections 10 and 11 of ASTM E 1527-21); and reporting (Section 12 of ASTM E 1527-21). Additional requirements for assessing Scope Issues are described in Sections 61.5 through Section 61.9.

The methodology for each environmental assessment must follow the requirements of Sections 61.10 through 61.15 for Non-Scope Issues. At a minimum, the environmental consultant must inspect the following number of units:

- For Properties with less than 100 units, the greater of five units or 10 percent of all units
- For Properties with 100 units or more, the greater of 10 units or five percent of all units
- For Properties with multiple buildings that were constructed over time or in phases, the sampling protocol above applies to each group of buildings that are of similar design and construction and those constructed within the same time period or phase
- Regardless of the minimum sampling noted above, the environmental consultant's inspection must be sufficient to test as required for asbestos, lead-based paint (LBP), mold and radon

In any instance where the environmental consultant determines the need for testing or corrective actions beyond the scope of the minimum requirements set forth in 40 CFR § 312, ASTM E 1527- 21 and Sections 61.5 through 61.14, the Seller/Service must ensure that the scope of the environmental assessment incorporates the consultant's recommendations and is based on the consultant's professional judgment.

Any testing as required in this chapter must be conducted in accordance with applicable local, State and federal regulations and licensing requirements.

Section 61.3 summarizes the reporting requirements for an environmental assessment.

### **61.3 Environmental report requirements (02/16/23)**

Each environmental report must follow the report format recommended by, and include the information required in, ASTM E 1527-21 and must also include the information required by Sections 61.5 – 61.15.

Each environmental report must also contain the following additional information:

**a. Findings (02/16/23)**

This portion of the environmental report must:

- Note any regulatory compliance requirements; and
- Advise if any identified environmental hazards are likely to create clean-up liability for the Property owner, or health and safety concerns for the tenants

**b. Recommendations (02/16/23)**

For every environmental hazard that is identified, the environmental consultant must provide a suggested remedy (for example, the removal of the hazard and/or the implementation of an O&M plan) and associated costs, or indicate if further study is needed. If costs cannot be identified without further analysis, the consultant must identify the scope of the analysis recommended as well as the estimated cost of such analysis.

**c. Information to be provided with the report (02/16/23)**

The report appendix must include the resume of the individual who performed the on-site inspection. If a different individual reviews the report, the resume for that individual must be included as well.

**d. Reliance (02/16/23)**

The Seller/Servicer must direct the environmental consultant to include the following language in the environmental report:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;



- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

**e. The Environmental Site Assessment – Form 1103 (02/16/23)**

[Form 1103](#) must be completed and submitted as described in Section 61.16.

**61.4 Acceptability for Mortgage purchase (08/17/23)**

**a. General requirements for acceptability for Mortgage purchase (02/07/06)**

Freddie Mac requires an environmental report for each Property that will act as security for a Mortgage. Both the environmental report and the environmental condition of the Property must be acceptable to Freddie Mac.

The environmental report must identify an appropriate resolution for each identified hazard. If remediation is required, the environmental report must identify the scope of work involved and the estimated cost.

Upon Freddie Mac's review of the completed environmental report, Freddie Mac may impose additional evaluation requirements.

**b. Remediation and retesting (09/01/16)**

If a Property fails to meet the standards set forth in this Chapter 61, the Borrower may, in some cases, be able to correct the deficiency through remedial actions and retesting of the Property. The environmental consultant must advise on, and submit a written endorsement of, the remediation and retesting plan.

1. If the Borrower already owns the Property, the Borrower must complete the remedial action and the Seller/Servicer must confirm its effectiveness before Freddie Mac will issue a Letter of Commitment or accept an early rate-lock application. The remediation must be completed in accordance with all regulatory requirements and good management standards. The Borrower must notify local authorities, if appropriate. In addition, Freddie Mac may require additional remedial actions.



2. Freddie Mac will consider issuing a Letter of Commitment or accepting an early rate-lock application before the completion of remedial work provided that the following conditions are met:
  - The remediation can be completed within 90 days after the Origination Date (or within a timeframe agreeable to Freddie Mac)
  - The environmental consultant, when submitting the written endorsement of the remediation and retesting plan, does each of the following:
    - Identifies how long the remediation will take, given the circumstances of the Property, the scope of the remediation, and the geography and climate at the Property's location
    - States that the work will make the Property eligible under the environmental standards set forth in this chapter
  - The Borrower has signed a fixed-fee contract, with a qualified firm, that provides a clear timeline for completion of the remediation. The Seller/Servicer must establish a Repair Reserve in the amount of at least 125 percent of the gross contract amount, or in the case of an SBL Mortgage, a Repair Reserve of at least 100 percent of the gross contract amount.

When the work is complete, the environmental consultant must state in writing that:

- The work has been satisfactorily completed
- The Property meets the environmental eligibility standards

**c. Operations and maintenance (O&M) program (08/17/23)**

Freddie Mac may, in certain circumstances, purchase a Mortgage secured by a Property that contains certain environmental hazards, provided that the Borrower has or will have in place an acceptable O&M program to manage the risk. If requested, a copy of any required O&M Program must be delivered to Freddie Mac. Throughout the life of the Mortgage, the Borrower must adhere to the O&M program, and the Seller/Servicer must ensure that the Property continues to meet Freddie Mac's requirements.

An O&M program will be developed at the discretion of the environmental consultant for relevant environmental hazards. The O&M program must incorporate Freddie Mac O&M guidelines, as applicable, for underground storage tanks as set forth in Section 61.6, for asbestos-containing materials (ACM) as set forth in Section 61.10 and for lead-based paint (LBP) as set forth in Section 61.11.

The Borrower must identify the costs associated with the O&M program for a Property as a component of the property management costs and/or other operating expenses of the Property. These costs must reflect the need for personnel training, tenant notification, any equipment necessary to implement the program activities and added inspection costs.





The Seller/Service must determine that the O&M program responds to Freddie Mac requirements and that the Borrower is financially and organizationally capable of performing necessary O&M functions.

## **61.5 Hazardous materials (02/16/23)**

### **a. Environmental assessment scope of work (02/16/23)**

The environmental consultant must physically inspect the buildings and grounds of the Property for evidence of potential hazardous material contamination, and document the assessment in the environmental report, pursuant to the requirements of Sections 61.2, 61.3 and this Section 61.5.

### **b. Issue resolution by environmental consultant (02/16/23)**

If the environmental consultant finds evidence of hazardous material contamination, including contamination that exceeds applicable government standards, the environmental report must describe the additional steps needed to remediate the problem and the associated costs.

### **c. Issue resolution by Borrower (02/16/23)**

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

In general, the Borrower must remove documented contamination that exceeds federal or State cleanup standards. The Borrower must report the findings and the remediation actions to the appropriate governmental authorities and must obtain an indication of satisfactory completion from the same authority.

### **d. Environmental report documents (02/16/23)**

The environmental consultant must document and photograph the condition of the storage areas and note the general housekeeping conditions. The environmental consultant must include the documentation, photographs and notes with the environmental report.

## **61.6 Storage tanks (02/16/23)**

### **a. Environmental assessment scope of work (02/16/23)**

The environmental consultant must determine whether above-ground storage tanks (AGTs) or underground storage tanks (USTs) exist or have existed in the past on the Property and whether there is any indication of leaking or prior discharges, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.6.

### **b. Issue resolution by environmental consultant (02/16/23)**

If the environmental consultant discovers a storage tank, the environmental consultant must determine whether the tank is currently in use. Even if the tank is not currently in use, the environmental consultant must determine whether any hazardous material has leaked from the tank.



The environmental consultant must provide sufficient evidence (including a review of historical tightness tests or information on installed release detection systems) to indicate that the tanks on the Property have never leaked, or the environmental consultant must perform subsurface borings to identify potentially contaminated soils associated with the tank. If the tank was installed on or before thirty years from the date of the property inspection and routine tightness tests have been performed, including one within six months of the date of the property inspection, the environmental consultant may recommend against subsurface borings. In lieu of tightness testing, the consultant may also recommend against subsurface borings based on implementation of one or more of the following release detection systems.

1. Secondary containment with interstitial monitoring
2. Automatic tank gauging
3. Continuous in-tank leak detection

All release detection methods must meet applicable federal and State requirements. The consultant must review records indicating that the release detection system has been periodically tested and is operating as intended.

The environmental consultant must determine if an unused tank must be removed or abandoned in place in accordance with applicable federal and State requirements. The environmental report must include as much information as possible to support the decision either to remove or to abandon the tank. This information must include the location, installation date, contents and size of the tank.

#### **c. Issue resolution by Borrower (02/16/23)**

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

Unused underground storage tanks (USTs) must be removed or abandoned in place in accordance with applicable federal, State and local requirements.

For any active UST, the Borrower must obtain a tightness test to assess the stability of the tank vessel and determine if there are any active leaks. The manner of testing must comply with ASTM standards and applicable State law. Freddie Mac may waive the tightness test if an acceptable tightness test has been performed within six months of the date of the property inspection or if an acceptable, documented release detection system is in place in accordance with Section 61.6(b).

The Borrower must monitor and maintain USTs in accordance with an O&M program as defined in Section 61.6(e) as well as the requirements of all federal, State and local authorities.

#### **d. Environmental report documents (04/14/22)**

The environmental consultant must obtain and attach to the environmental report copies of documents relating to compliance with applicable regulations (such as registration, tank tightness test results, records of monthly monitoring and annual testing, records of installation of corrosion protection systems or release detection system documentation).



**e. O&M program (02/16/23)**

For any tank remaining in use, the Borrower must institute an O&M program to provide that the Borrower will:

- Implement precautionary measures prescribed by the environmental consultant to ensure that spills do not occur.
- Complete periodic tightness testing complying with ASTM standards or as required by applicable State law. For all USTs, Freddie Mac requires these tests to be conducted at intervals not to exceed every three years. Tanks that have an acceptable, documented release detection system in place, as defined in Section 61.6(c), can complete periodic testing of the release detection system as required by applicable federal and State law in lieu of periodic tightness testing. The Borrower must report all test results to the Seller/Service and/or Freddie Mac in accordance with the terms of the O&M program.
- Report all material spills to applicable authorities and to Freddie Mac. Timely remediation must be conducted in accordance with requirements imposed by applicable authorities, and cleanup must be achieved such that contaminant concentrations are below federal or State cleanup standards.

All tanks that become inactive must be removed or abandoned in place in accordance with requirements imposed by applicable authorities.

**61.7 Polychlorinated biphenyls (PCBs) (02/16/23)**

**a. Environmental assessment scope of work (02/16/23)**

The environmental consultant must inspect the Property for equipment that may contain significant amounts of PCBs, such as hydraulic elevators and electrical transformers and capacitors, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.7. Fluorescent light ballasts need not be inspected.

If the environmental consultant finds PCB-containing equipment on the Property, the environmental consultant must determine who owns the PCB-containing equipment and whether the equipment is leaking.

**b. Environmental assessment protocol (02/16/23)**

If there is any equipment on the Property that was manufactured on or before July 2, 1979, and

- The equipment is not owned by a utility, then the environmental consultant must determine the PCB content
- The equipment is owned by a utility, then the environmental consultant must
  - Confirm ownership with the local utility via a documented phone call or a written statement,



- Attempt to determine the PCB content of any equipment, and
- Report to the utility any leaks associated with any equipment that may contain PCBs (documented or unknown)

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**c. Issue resolution by environmental consultant (02/16/23)**

If the environmental consultant finds PCBs in nonutility-owned equipment on the Property at levels requiring action under federal or State law, the consultant must:

- Report PCB spills or leaks to the State or local authorities and identify appropriate cleanup action, in accordance with the Toxic Substance Control Act (TSCA) Spill Cleanup Policy, 40 CFR § 761.120 et seq.
- Make a recommendation as to whether the equipment must be removed or managed in place with an O&M program. Freddie Mac may allow the PCB-containing equipment not owned by a utility to remain on the Property subject to a documented O&M program.

At a minimum, any O&M program for PCBs must include a requirement for frequent visual inspections of each piece of equipment for indications of leakage, an issues log, and appropriate contact information to report detected leaks. The recommendation must be based on the type, size, age, condition, location and ownership of the equipment, as well as any other pertinent factors.

**d. Issue resolution by Borrower (12/14/17)**

The Borrower must remove any equipment as recommended by the environmental consultant. If contamination is documented, the Borrower must remediate the contamination before the Origination Date.

The Borrower must manage in-place any property-owned PCB-containing equipment remaining on the Property, in accordance with an O&M program.

**e. Environmental report documents (02/07/06)**

The environmental consultant must attach to the environmental report any documentation of ownership or PCB content, test results and photographs of representative pieces of leaking equipment.

**61.8 Prior use (02/16/23)**

**a. Environmental assessment scope of work and environmental report documents (02/16/23)**

The environmental consultant must determine the prior uses of the Property, and document the prior uses in the environmental report, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.8.

**b. Issue resolution by environmental consultant (02/16/23)**

The environmental consultant must comment on the following and explain the rationale for the opinion:

- The impact of the prior use on the Property
- The extent to which value or occupancy of the Property could be or has likely been impacted by the prior use

If the environmental consultant discovers or suspects a prior use that suggests the presence of hazardous material contamination of the Property, the environmental consultant must perform appropriate investigation (possibly using soil borings) to determine whether the Property is contaminated. If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**c. Issue resolution by Borrower (02/16/23)**

In general, the Borrower must remove documented contamination that exceeds federal or State cleanup standards. The Borrower must report the findings and remediation actions to the appropriate governmental authorities and must obtain an indication of satisfactory completion from the same authority.

**61.9 Neighborhood hazardous waste activity (02/16/23)****a. Environmental assessment scope of work and environmental report documents (02/16/23)**

The environmental consultant must determine the potential impact on the Property from hazardous waste activities at neighboring Properties, and document such impact in the environmental report, pursuant to the requirements of Sections 61.2, 61.3, and this Section 61.9.

**b. Issue resolution by environmental consultant (02/16/23)**

The environmental consultant must determine the compliance status of all sites found and must address significant violations in the findings and results portion of the environmental report.

The environmental consultant must determine from its inspection whether any identified neighborhood site has impacted, or is likely to impact, the Property. In the environmental report, the environmental consultant must detail how the determination was made and must make appropriate recommendations if further action is required. If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**61.10 Asbestos-containing materials (ACM) (12/14/17)****a. Environmental assessment scope of work (12/14/17)**

The environmental consultant must inspect the Property for friable asbestos-containing materials (ACM). The purpose of the inspection is to discover whether significant quantities of ACM were used in the construction of the building or added subsequently and to determine the approximate quantity and condition of such materials.



As discussed in *Guidance for Controlling Asbestos-Containing Materials in Buildings* [U.S. Environmental Protection Agency (EPA), 1985], the environmental consultant must focus particular attention during the inspection on identifying friable asbestos-containing material in pipe and boiler insulation, texture-finished ceiling and wall materials (popcorn type), sprayed- or troweled-on structural coverings, floor and ceiling tiles, dry-wall/sheet rock, joint compound and siding and roofing materials.

Friable ACM (that is, material that releases fibers when subjected to finger pressure) is of greatest concern.

**b. Environmental assessment protocol (12/14/17)**

The environmental consultant must inspect the Property for evidence of ACM, identify the location and condition of any suspect materials and collect samples of materials suspected of containing friable ACM, regardless of location. The opinion that the Property contains no ACM cannot be based on the Property's construction date.

A qualified professional must analyze the samples utilizing polarized light microscopy and dispersion staining. The number and quantity of samples must be sufficient to provide meaningful results, with samples taken throughout the apartment building or complex. If friable ACM is suspected within the residential units, the environmental consultant must take bulk samples from the greater of five units or 10 percent of all units, not to exceed 12 units. However, if undamaged friable ACM is suspected in an encapsulated condition, then a more limited sample may be appropriate, as determined by the consultant. In any case, if undamaged, encapsulated wall and ceiling joint compound is a suspect material, samples of the joint compound need not be taken.

**c. Issue resolution by environmental consultant (12/14/17)**

If friable ACM is found in the interior of the building, the environmental report must specifically state

- Whether an ACM inventory is needed
- Which materials must be removed and the cost of such removal
- Which materials must be repaired and the cost of such repairs

The consultant must substantiate in the environmental report the reason for not removing any friable ACM, and must recommend an O&M program for the friable ACM that the consultant recommends be allowed to remain in place.

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

If previous ACM abatement work was performed improperly, the environmental consultant must identify any resultant contamination.

**d. Issue resolution by Borrower (12/14/17)**

In general, the Borrower must remove all friable ACM, including sprayed-on "popcorn-type" ceiling textures. Undamaged friable ACM may remain in place if the Borrower institutes an O&M program developed by an environmental professional that is acceptable to Freddie Mac, and only if all the following conditions exist:

- The concentration or amount of asbestos in the material must be less than 10 percent by weight.
- The friable ACM must be in good condition as determined by the environmental consultant.
- The friable ACM must be sufficiently covered with paint or other material to help prevent the future release of asbestos into the air.

Non-friable ACM and undamaged, fully encapsulated wall and ceiling joint compound that is assumed to contain asbestos may remain in place. Borrowers must test all suspect materials before any alterations or renovations.

Under most circumstances, before the Origination Date, the Borrower must remove all friable ACM that is required to be removed. Freddie Mac will consider agreeing to removal of the ACM after the Origination Date only under certain circumstances. Examples in which this would be acceptable include qualified ACM abatement/removal firms not being immediately available to remove the ACM, or the extent or location of the ACM in the building does not present an imminent life safety hazard.

In order for the ACM removal to be performed after the Origination Date, the conditions in Section 61.4(b)(2) must be met. In addition, Freddie Mac will require the following:

1. A binding, fixed-fee ACM-removal contract from a qualified ACM abatement/removal firm that provides for the firm to remove the ACM within 90 days after the Origination Date (or within a timeframe agreeable to Freddie Mac), in strict accordance with prudent industry standard practices and all federal, State and local requirements governing the removal, transport and disposition of ACM
2. A Repair Reserve in the amount of at least 125 percent of the cost of removal, or in the case of an SBL Mortgage, a Repair Reserve of at least 100 percent of the gross contract amount
3. Before the funds are released from the Repair Reserve, proper evidence provided by the Borrower to the Seller/Servicer that the ACM removal was performed by properly trained individuals in accordance with prudent industry standard practices and complied with all federal, State and local requirements governing the removal, transport and disposition of ACM

**e. Environmental report documents (05/31/11)**

The environmental report must include tabulations of the type of material tested, exact location of the sample, condition and approximate quantity of the material, and asbestos concentration. If the samples were positive, the environmental report must include photographs of typical





conditions of the areas tested. The environmental consultant must attach a copy of the laboratory analytical report to the environmental report.

If the Borrower undertakes ACM abatement or removal prior to the Origination Date, the Borrower must submit documentation to the Seller providing evidence that the work was performed by properly trained individuals in accordance with prudent industry standard practices and all federal, State and local requirements. For all programs and products, the Seller must submit this documentation to the *Applicable Freddie Mac Multifamily Regional Office*. TAH Seller/Service providers must submit this documentation to the *Multifamily TAH Underwriter*.

**f. O&M program (12/14/17)**

After inspecting and testing a Property for ACM, the environmental consultant may need to develop an asbestos O&M program. The principal objective of an asbestos O&M program is to minimize exposure of building occupants to friable asbestos fibers.

The environmental consultant must develop a specific O&M program for the Property and tailor it to the standard management practices at the Property and the types of ACM present.

An essential component of an ACM O&M program is the appointment of an asbestos program manager, usually a building engineer, superintendent or facilities manager. This person must be properly qualified, through training and experience, and be actively involved in all asbestos-related activities at the Property, including inspections, O&M activities and removal and repair of ACM.

A second key component of an ACM O&M program is an inventory of the ACM. The environmental consultant must record in the O&M program the specific locations of ACM, the condition and the potential for disturbance.

**Standard ACM O&M program requirements**

After the appointment of the asbestos program manager and the completion of the ACM inventory, the Borrower must implement the O&M program. An ACM O&M program must include the following elements:

**1. Notification**

A program to inform workers, tenants and building occupants not to disturb or damage existing ACM

**2. Surveillance**

Regular inspections of the condition of the ACM

**3. Controls**

A permit system or other work control program to control activities that might disturb ACM

**4. Work practices**



Procedures to avoid or minimize fiber release during activities affecting ACM

## 5. Recordkeeping

Documentation of O&M activities

## 6. Worker protection

Medical and respiratory protection programs, as applicable

## 7. Training

Training for the asbestos program manager, custodial and maintenance staff

A United States Environmental Protection Agency (EPA) publication entitled *Managing Asbestos in Place: A Building Owner's Guide to Operations and Maintenance Programs for Asbestos-Containing Materials* (EPA Office of Pesticides and Toxic Substances, TS-799, July 1990, also known as the "Green Book") describes O&M programs in greater detail.

### 61.11 Lead-based paint (LBP) (02/16/23)

#### a. Environmental assessment scope of work (02/16/23)

The environmental consultant is not required to test for LBP in a Property built in 1978 or later.

A Property built before 1978 is considered to contain LBP unless testing proves otherwise. If the Property's original certificate of occupancy or legal equivalent was issued before January 1, 1978, Freddie Mac considers the Property to be built before 1978 (pre-1978 Property).

For a pre-1978 Property, the Borrower may choose to test for LBP or to presume LBP is present and implement an O&M program to manage the hazard in place in accordance with the requirements of Section 61.11(f). Regardless of which course of action the Borrower chooses (testing for LBP or implementing an O&M program), the environmental consultant must comment on the paint condition for all pre-1978 Properties. If the environmental consultant conducts LBP testing, it must do so in accordance with the minimum standards set forth in Section 61.11(b).

All pre-1978 Properties must satisfy applicable federal, State and local LBP laws and ordinances.

#### b. Environmental assessment protocol (09/01/16)

The environmental consultant must follow the testing protocols in this section as a minimum standard and report on the condition of the painted surfaces observed.

The following testing methods are acceptable:

- Use of X-ray fluoroscope (XRF) technology (which indicates a presence of lead exceeding 1.0 mg/cm<sup>2</sup>)
- Approved laboratory analysis of scraping samples (Samples must be sufficient to produce meaningful results.)



The environmental consultant must test a representative sampling of painted surfaces of both the units and the common areas. Suggested surfaces to be tested include

1. Windows, unless replaced with metal windows having a factory-applied finish
2. Window frames and sills
3. Doors and door frames
4. Painted woodwork
5. Walls
6. Balcony railings
7. Rails in common areas and staircases
8. Other painted surfaces that could be "chewable" to a small child

The required minimum number of samples depends on the size of the Property:

- For a Property with 100 or fewer units, the environmental consultant must take the following samples:
  - Ten common area samples
  - Samples from the greater of 10 percent of the living units or five living units (In each living unit sampled, the environmental consultant must take at least three LBP samples.)
- For a Property with more than 100 units, the environmental consultant must take the following samples:
  - Ten common area samples
  - Samples from the greater of 5 percent of the living units or 10 living units (In each living unit sampled, the environmental consultant must take at least three LBP samples.)

The environmental consultant must take paint samples using the following protocol for the minimum number of samples:

- Entrances/hallways
  - One paint sample from one wall
  - One trim/railing paint sample (floor trim, chair rail or crown moldings or painted railings.)
  - One paint sample from painted floor/step surfaces
  - One paint sample from any fire doors or door trim (Freddie Mac assumes the trim and door are painted with the same material.)
  - One paint sample from one painted windowsill (If the windows have been replaced with metal windows with a factory-applied finish, no sampling is necessary.)
- Apartment units
  - One paint sample from the front door or front door trim (Freddie Mac assumes the trim and door are painted with the same material.)
  - One paint sample from one windowsill (If the windows have been replaced with metal windows with a factory-applied finish, no sample testing of the sill is necessary.)

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- One paint sample from a wall surface in each room
- One paint sample from any surface with evidence of peeling or chipping paint
- Resident community facilities
  - Paint samples from common areas, collected in a manner similar to that of an individual unit (Common areas include community/recreation rooms, swimming pool clubhouses and bathhouses.)
  - In each laundry room, one paint sample each from one wall, the floor and window or windowsill
  - One paint sample from any storage area floors and any painted storage bin doors
- Exterior surfaces and equipment
  - One paint sample from playground equipment
  - One paint sample from hand railings
  - One paint sample from painted parking bollards and parking stops

Properly trained personnel must perform all LBP testing, and the environmental consultant must supervise all such testing. To the extent required by federal, State or local law or the regulations of the EPA, individuals and firms collecting paint samples or conducting on-site testing must meet the relevant certification requirements.

The environmental consultant must perform LBP testing using state-of-the-art techniques and in accordance with manufacturer's recommendations. Each laboratory used to conduct LBP analysis must be accredited under the EPA's National Lead Laboratory Accreditation Program.

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

#### **c. Issue resolution by environmental consultant (02/07/06)**

If LBP testing is conducted, the environmental consultant must conclude that the testing indicates no hazard (an acceptable level of LBP is defined as less than 0.5 percent by weight as measured by laboratory analysis or 1.0 mg/cm<sup>2</sup> as measured by XRF) or make one of the following recommendations:

- Additional environmental investigation of the LBP hazard
- LBP remediation
- An O&M program
- A combination of these options

The environmental consultant's recommendations must be based upon (among other factors)

- Pervasiveness of the LBP
- Concentration levels of the LBP
- Location of the LBP (that is, on which surfaces)
- Condition of the LBP surfaces in the Property



#### d. Issue resolution by Borrower (02/16/23)

Freddie Mac does not require any specific Borrower actions if

- The Property was built in 1978 or later, or
- A “lead free” certificate has been issued by a qualified environmental professional in accordance with EPA, HUD or State requirements, and the environmental consultant has reviewed all supporting documentation, or
- All painted surfaces have been properly tested as specified in Section 61.11(a) and found to contain acceptable levels of LBP (less than 0.5 percent by weight as measured by laboratory analysis or 1.0 mg/cm<sup>2</sup> as measured by XRF), and
- The Property satisfies State and local LBP laws.

For untested Properties built prior to 1978 and for Properties with documented LBP, the Borrower must maintain all painted surfaces according to an O&M program that meets the requirements set forth in Section 61.11(f).

#### e. Environmental report documents (01/31/14)

The environmental consultant must attach to the environmental report:

- All test results and photographs of damaged paint conditions, and
- A copy of the “lead free” certificate, if applicable.

#### f. O&M program (02/07/06)

The environmental consultant must certify that the O&M program is appropriate to address the LBP hazard of the particular Property. In establishing an appropriate O&M program for consideration by Freddie Mac, the environmental consultant must consider the following factors:

- Age of the Property
- Condition of the painted surfaces
- Type of windows, window frames, doors and door frames

The environmental consultant must include the following components in the LBP O&M program:

- **Surveillance**  
Regular inspections of the condition of the LBP
- **Controls**  
A permit system or other work control program to control activities that might disturb LBP
- **Work practices**  
Procedures to avoid or minimize disturbance of LBP
- **Recordkeeping**  
Documentation of O&M activities



- **Worker protection**  
Medical and respiratory protection programs, as applicable
- **Training**  
Training for the O&M program manager, custodial and maintenance staff

In particular, an LBP O&M program must include the following:

- a. The program must provide for training of all maintenance staff persons, supervisors and property managers who may perform any of the tasks included in the O&M program. Maintenance supervisors and property managers must attend at least one day of LBP training and must maintain certification of successful course completion.

The trainees may complete any training program that meets the following requirements:

- Employs an EPA- or U.S. Department of Housing and Urban Development (HUD)-model training curriculum
  - Is accredited by the EPA or the State for training abatement workers and/or supervisors
  - Is sponsored by an appropriate State or local agency
- b. A properly trained individual (as described in item "a" of this section) must complete a thorough initial inspection of the entire complex, including common areas and all occupied and vacant units to assess the condition of the painted surfaces.
  - c. The property manager must establish a re-inspection schedule for the term of the Mortgage. The schedule must include a re-inspection of each living unit at least annually. The inspector must perform a thorough wet wipe-down of all horizontal surfaces at each re-inspection, even if the painted surfaces are in excellent condition.
  - d. The Borrower must have any damaged surfaces remediated using appropriate methods that will not create a release of LBP chips or dust into the living space.
  - e. The remediator must thoroughly wipe all horizontal surfaces with a wet cloth or sponge, changing the wash water often. Horizontal surfaces of greatest concern include windowsills and hard flooring near windows.
  - f. The Borrower must give the highest priority to the scheduling of repair work in dwelling units occupied by children aged six or younger, or by pregnant women.

## 61.12 Drinking water quality (02/16/23)

### a. Environmental assessment scope of work (02/07/06)

For a Property serviced by a municipal water system, testing is not required.

**b. Environmental assessment protocol (06/27/19)**

The environmental consultant must determine if the Property is serviced by a municipal water system and must identify and verify the drinking water supplier for the Property.

If the Property is not serviced by a municipal water system, the environmental consultant must determine if the drinking water is in compliance with applicable federal, State, and local requirements, which will include reviewing test results that are no more than 180 days old at the time of the site visit. If the consultant cannot determine the compliance of the water system, then the environmental consultant must obtain and analyze drinking water samples for the Property that include a first draw sample. The environmental consultant must test and compare these samples to State drinking water quality standards to determine whether compliance is currently achieved. If no State program exists, Federal Safe Drinking Water Act standards apply.

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**c. Issue resolution by environmental consultant (02/16/23)**

For Properties not serviced by a municipal water system, the environmental consultant must analyze available water test results, determine the adequacy of past testing and verify that the water meets the standards identified in Section 61.12(b). If previous testing was insufficient, inconclusive or revealed that the water quality is below the identified standards, the environmental consultant must identify the need for additional testing as well as recommended remedial actions.

**d. Issue resolution by Borrower (10/14/16)**

If a Property is not serviced by a municipal water system, the Borrower must ensure the Property meets all of the following requirements:

- The lateral water supply line must be "stubbed" at the Property's boundary
- The current water supply must have been tested and found to be in compliance with all federal, State and local drinking water requirements
- The Borrower must provide the cost estimate of the connection or conversion to the municipal water system, as prepared by a contractor capable of performing the work

Freddie Mac will require the Borrower to establish a Reserve of at least 125 percent of the estimated cost to convert to municipal water, or in the case of an SBL Mortgage, converting to municipal water must be listed in the SBL Physical Risk Report as a Priority Repair.

Regardless of the water source, lead associated with water service lines, joints and fixtures can impact water quality. The Borrower must provide a tenant-awareness package to current and future tenants, to include a document that discusses the potential risks associated with lead. The U.S. Environmental Protection Agency provides [information on lead poisoning in drinking water](https://www.epa.gov/lead-poisoning-prevention-and-control) at [www.epa.gov](https://www.epa.gov).





**e. Environmental report documents (02/07/06)**

The environmental consultant must append the water testing data to the environmental report.

**61.13 Mold (12/14/17)**

**a. Environmental assessment scope of work (02/07/06)**

The environmental consultant must investigate for hazards associated with Mold and report on all findings related to the evidence of Mold, water intrusion and conditions that could lead to Mold growth.

**b. Environmental assessment protocol (09/01/16)**

The environmental report must include evidence that the environmental consultant has completed the following tasks:

1. Searched for visual and olfactory evidence of Mold in all areas inspected
2. Made inquiries of the property owner, manager or other knowledgeable property staff regarding whether there has been Mold as a result of water intrusion or leaks or whether there have been any tenant complaints regarding health problems or musty odors
3. Inspected all areas reported to have evidence of Mold as a result of water intrusion or leaks
4. Determined the potential impact that existing Mold may have on the Property

If the environmental consultant determines that remediation is necessary, the requirements of Section 61.4(b) apply.

**c. Issue resolution by environmental consultant (12/14/17)**

If the environmental report indicates that there is evidence (observed or reported) of substantive current or past water intrusion or Mold or that the climate, geography or geology are indicative of water intrusion problems, the environmental consultant must:

- Recommend that the source of all current and past water intrusion be identified and corrected
- Recommend that any observed substantive Mold issues be remediated in accordance with EPA guidelines for cleanup and remediation
- Make a professional judgement if a Moisture Management Plan (MMP) is required to address potential ongoing water and Mold issues

**d. Issue resolution by Borrower (12/14/17)**

In general, prior to the Origination Date, the Borrower must correct all issues related to water intrusion, leakage and Mold. If the Borrower has not corrected these issues prior to the Origination Date, Freddie Mac will require the Borrower to establish a Repair Reserve for this correction, cleanup and remediation.



In addition,

- If recommended by the environmental consultant, the Borrower must have established a Moisture Management Plan prior to the Origination Date and in accordance with the requirements set forth in Section 8.3(a) or Section 8SBL.3(a), as applicable
- A Property with evidence of water intrusion, leakage or Mold is subject to
  - The Increased Scrutiny for Moisture or Mold Issues requirements set forth in Section 8.3(b) or Section 8SBL.3(b), as applicable, and
  - The Special Moisture or Mold Issues Inspection requirements set forth in Section 8.3(c) or Section 8SBL.3(c), as applicable

**e. Environmental report documents (02/07/06)**

The environmental consultant must attach to the environmental report photographs of Mold evidence.

## **61.14 Radon (09/14/23)**

**a. Environmental assessment scope of work (02/16/23)**

Radon testing is required for every Property, subject to the following exemptions:

- Properties with existing debt to Freddie Mac or Fannie Mae that have undergone previous radon testing compliant with [Exhibit 11](#) (without regard to footnotes 1 and 2 in [Exhibit 11](#))
- Supplemental Mortgages
- Cooperatives
- Manufactured Housing Communities
- Properties secured by an SBL Mortgage (see Section 62SBL.14)
- Properties with no ground-contact residential units (e.g., ground-floor is retail, amenities or leasing office only; residential units above a parking garage or ventilated crawl space compliant with local building codes)
- Properties with property-wide radon mitigation systems and an O&M program in place
- Properties that when newly constructed incorporated radon-resistant design elements, including a:
  - Layer of clean gravel or aggregate installed beneath the slab or flooring system;
  - Layer of plastic sheeting or a vapor retarder installed on top of the gravel layer;



- Gas-tight venting pipe installed that runs from the gravel level through the building to the roof; and
- Thoroughly sealed and caulked foundation
- When the environmental consultant concludes that testing or mitigation is not necessary and documents reasons supporting this conclusion. Freddie Mac will not accept use of the Environmental Protection Agency Map of Radon Zones designation as the sole or primary reason for not testing.

**b. Environmental assessment protocol (02/16/23)**

All radon testing will be managed by the environmental consultant, who must be an “Environmental Professional” as that term is defined in 40 CFR § 312.10.

Radon testing must be conducted pursuant to the Multifamily Radon Testing Requirements outlined in [Exhibit 11, \(Radon Testing and Mitigation Standards\)](#), except that for Properties taken under application on or prior to June 30, 2023:

- A minimum of 10 percent of ground-contact units at the Property must be subject to the initial round of radon testing, with no fewer than one radon test per each building having ground-contact units, and
- Follow-up radon testing is only required to occur in each unit that tested at 4.0 pico Curies per liter of air (pCi/L) or greater during the initial round of testing

**c. Issue resolution by environmental consultant (02/16/23)**

If radon mitigation is required according to the threshold for mitigation outlined in [Exhibit 11, Radon Testing and Mitigation Standards](#), or is otherwise recommended by the environmental consultant, the environmental consultant must include in the environmental report a description of what mitigation methods will be used. The environmental consultant must review any mitigation contract(s) and comment on the appropriateness of the scope, cost and schedule for the required work.

If any follow-up testing recommended pursuant to [Exhibit 11](#) cannot be completed prior to the Origination Date, the environmental consultant must provide a written estimate of the cost of mitigation that would be necessary if mitigation is required. Freddie Mac may, in its sole discretion, require the Seller/Service to establish a Repair Reserve in the amount of at least 125 percent of the estimated cost of mitigation.

**d. Issue resolution by Borrower (06/15/23)**

Any mitigation required according to the threshold for mitigation outlined in [Exhibit 11, Radon Testing and Mitigation Standards](#), or otherwise recommended by the environmental consultant, must be performed pursuant to [Exhibit 11, Radon Testing and Mitigation Standards](#).

If a Property cannot be mitigated prior to the Origination Date, the requirements of Section 61.4(b) apply. The Borrower must have a signed, binding, fixed-price radon mitigation contract with a qualified radon mitigation professional to mitigate the radon issue on the Property pursuant to [Exhibit 11](#) within 90 days of the Origination Date (or other time frame acceptable to



Freddie Mac). In addition, the Seller/Servicer must establish a Repair Reserve in the amount of at least 125 percent of the estimated cost of mitigation. If the initial round of testing cannot be completed prior to the Origination Date, any mitigation system that may be required must be installed within a time frame agreed to by Freddie Mac.

When the mitigation is complete, the Borrower must submit written documentation prepared by the environmental consultant that states:

- What mitigation steps have been taken
- That the work has been satisfactorily completed
- That post-mitigation testing confirms radon concentrations below 4.0 pCi/L in each unit mitigated

**e. Environmental report documents (09/14/23)**

The Seller/Servicer's engagement with the environmental consultant for an environmental report that is entered into after September 14, 2023 must require the environmental consultant to report certain radon data elements to the designated data collection website provided to the Seller/Servicer by Freddie Mac. For an environmental consultant who needs access to the website, the Seller/Servicer must reach out to [MF\\_PhysicalRisk@freddiemac.com](mailto:MF_PhysicalRisk@freddiemac.com) to obtain access. Instructions for the environmental consultant on submitting the required data elements are available on such website.

In addition to any environmental report requirements that are listed in [Exhibit 11, Radon Testing and Mitigation Standards](#), the environmental report must include the following from the environmental consultant:

- As part of the executive summary of the environmental report, a summary of the radon findings and recommendations, including estimated costs for any further testing and mitigation
- Further details on the testing methods, canister locations, results, and additional testing/mitigation requirements
- Detailed radon findings included in the appendix of the environmental report

**61.15 Superlien status (05/31/11)**

The environmental consultant must determine, and the environmental report must indicate, if the State where the Property is located has an Environmental Superlien Law that would allow environmental authorities to place a first priority lien on the Property as a result of environmental hazards.

**61.16 The Environmental Site Assessment – Form 1103 (02/16/23)**

The environmental consultant must complete the [Form 1103](#) and sign it. The following chart lists the sections of [Form 1103](#):



<u>Section number</u>	<u>Section name</u>
Section I	Summary
Section II	Private Wells and Attachments
Section III	Unit Inspection and Certification

**a. Summary (12/15/16)**

Section I of the [Form 1103](#) must indicate the environmental consultant's determination of whether each environmental issue is acceptable or not, and if mitigation is required. Further, the consultant must indicate the O&M programs (or Moisture Management Plan) that are required, as well as whether additional information is required with respect to that specific issue.

**b. Recommendations and O&M programs (02/16/23)**

Section I of the [Form 1103](#) must detail any recommendation for response to the presence of any environmental hazard (for example, the removal of the hazard and/or the implementation of an O&M program) and the estimated costs associated with any mitigation. Section 61.4(c) provides additional guidelines for O&M programs.

**c. Private Wells and Attachments (02/16/23)**

In Section II of the [Form 1103](#), the environmental consultant must provide information on private wells, and provide the attachments in the order in which they are listed on [Form 1103](#). If the environmental consultant does not include a particular attachment with the environmental report, the environmental consultant must provide an explanation.

**d. Unit Inspection and Certification (12/15/16)**

The environmental consultant must provide a list of units inspected, and the certification must be signed by an authorized representative of the consulting firm.

## **61.17 Environmental consultant qualifications and requirements (02/16/23)**

The environmental consultant performing the environmental assessment and preparing the environmental report must be an "Environmental Professional" as that term is defined in 40 CFR § 312.10 and must meet the minimum qualifications and requirements specified in this section.

Because Freddie Mac does not approve environmental consultants, the Seller/Servicer must not consider any representation that an individual or firm is approved or qualified by Freddie Mac to perform environmental reports.

The Seller/Servicer is responsible for selecting the environmental consultant and solely accountable for the environmental consultant's performance.

**a. Education, training and experience for Non-Scope Issues (02/16/23)**

Personnel directly involved with the evaluation of Non-Scope Issues must also have expertise in at least the following relevant areas:



1. Asbestos identification and abatement
2. LBP identification and abatement design and supervision
3. Radon measurement and mitigation
4. Familiarity with applicable federal, State and local environmental and public health laws and regulations
5. Development of O&M programs

Additional training must include a 24-hour asbestos inspection course and an annual refresher course that, at a minimum, meets the EPA Guidelines for Asbestos Model Accreditation Plan Annual Refresher Training.

For asbestos, LBP and radon work, some States and municipalities require a license or certificate. The environmental consulting firm must utilize properly licensed or certified providers to complete the project. The Seller/Service must review and verify the environmental consultant's credentials, licensing, certifications, memberships and affiliations.

**b. References (02/16/23)**

The environmental consultant must have extensive experience completing environmental reports substantially similar in nature, size and complexity to that being performed on the Property.

Freddie Mac will not accept an environmental report from an individual or firm that has been excluded from EPA-assisted programs. The Seller/Service must check the federal exclusion record at <https://sam.gov/content/exclusions> for the names of individuals and firms that are excluded by federal government agencies from receiving:

- Federal contracts
- Federally approved subcontracts
- Certain types of financial and non-financial assistance and benefits

The Seller/Service must retain these references in its files for review by Freddie Mac.

**c. Conflicts of interest/providers of related services (02/07/06)**

The environmental consultant must not be affiliated with the Borrower, Seller/Service, or seller of the Property, or engaged in business that might present a conflict of interest. One possible conflict of interest is business with environmental enforcement agencies, where the environmental consultant's future contract awards from the agency depend on maintaining a cordial relationship with agency representatives. In remediation work requiring negotiations with the agency, such a relationship could conflict with the environmental consultant's representation of the client.



**d. Insurance (06/30/16)**

The environmental consultant must provide the Seller/Servicer with an original certificate(s) of liability insurance at its own expense, which evidences coverage meeting the requirements of Section 11.5.

The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

**e. Unacceptable consultants (07/01/14)**

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* or the *Multifamily TAH Underwriter* if the Seller/Servicer discontinues the use of a consultant for cause and such consultant has completed environmental reports within the past 12 months for Mortgages purchased by Freddie Mac.

In addition, Freddie Mac reserves the right to refuse to accept environmental assessments reports completed by any specific consultant. Freddie Mac will maintain, on FreddieMac.com, the [Multifamily Restricted Vendor List](#). If a consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to prepare environmental assessment reports for a Mortgage to be purchased by Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable consultants do not prepare reports for Multifamily and shall constitute "Confidential Information" as defined in Section 2.8.

## **61.18 Mortgage Servicing (05/31/12)**

Using the Freddie Mac Annual Inspection Form (AIF) (see Chapter 40), the Seller/Servicer must confirm annually that the Borrower is maintaining the Property according to any applicable O&M program, environmental law or regulation. The Seller/Servicer is not expected to obtain an environmental report along with the assessment inspection. However, the Seller/Servicer must make an on-site inspection prior to advising Freddie Mac of the environmental status of the Property. The Seller/Servicer must inspect the buildings and grounds and review the activities of the Borrower, tenants, sublessors, their agents and any other third parties. These confirmations must specifically address the continuing effectiveness and adequacy of all current remedial and maintenance actions.

In addition, the Seller/Servicer must complete an AIF immediately following the occurrence of any event that might reasonably be expected to impact the environmental condition of the Property or the adequacy of prescribed remedial or maintenance actions. Such events would include fire, flood, building construction or rehabilitation, spills or leaks of hazardous wastes or materials, unusual or intense use of property facilities, or significant changes in custodial or management personnel.

The Borrower must comply fully with all applicable environmental laws and report any violations of such laws to the Seller/Servicer and the appropriate federal, State or local authority.

The Seller/Servicer must require that the Borrower take all necessary actions to ensure that all violations are promptly corrected and that the Property is brought back to, and maintained in full compliance with, all appropriate environmental statutes and good management practices.





### **61.19 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the warranties regarding the environmental report and the environmental consultant set forth in Section 5.4.

# Multifamily Seller/Service Guide

## Chapter 62

### Property Condition Report Requirements



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## 62.1 Property condition reports (12/12/24)

Unless Freddie Mac otherwise requires, SBL Seller/Servicers must refer to Chapter 62 SBL, SBL Physical Risk Report Requirements, to obtain the requirements for evaluating the physical risk of Property secured by an SBL Mortgage.

Seller/Servicers 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/Servicer 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/Servicer to submit a property condition report (also commonly referred to as an engineering report) meeting the requirements of Section 62.3 before Freddie Mac will issue a Letter of Commitment or accept the early rate-lock application to purchase a Mortgage.

### a. Purpose of the property condition report (12/12/24)

The purpose of the property condition report is to:

- Provide a brief description of all major building components and their condition
- Identify all deferred maintenance that is currently affecting building components or is expected to have a negative impact on building components
- Identify Critical Repairs and Priority Repairs needed and provide cost estimates for those items
- Identify the capital needs over the term of the Mortgage and establish the appropriate amount of Replacement Reserves
- Identify any current or past water intrusion, potentially damaging leaks or organic growth issues (Mold) and identify the source(s) of all water and Mold
- Identify problematic materials, equipment or systems as defined in Section 62.5(c)
- Identify all readily observable issues related to non-compliance with applicable codes, including disability accessibility requirements, and all issues that could negatively affect the health and safety of the tenants

### b. Information to be provided with the property condition report (01/01/13)

The property condition report must include the following:



- All information the consultant reviewed, including all data and records provided by the Borrower and documentation reviewed in accordance with Section 62.4 (Key documents, such as renovation scope of work and budgets, should be included in the report appendix.)
- Sufficient standard-size color photographs as are necessary to illustrate the conditions discussed in the report (The consultant must determine the number of photographs that will be necessary and include the photographs in Section VI, with a narrative describing each photograph.)
- A site plan(s) to adequately locate the Property and provide an indication of the site layout
- The resume of the individual who performed the on-site inspection
- The resume of the individual who reviewed the report, if different from the individual who performed the inspection

## 62.2 Specific Seller/Service duties and responsibilities (12/12/24)

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 issues



- Obtain additional analysis as necessary to resolve any issues with respect to which the consultant was unable to reach a conclusion
- In accordance with Section 8.17 or 8SBL.17, as applicable,
  - Report Critical Repair findings to Freddie Mac, and follow up to ensure timely completion of Critical Repairs
  - Include completion, reserve funding, and other requirements for Capital Replacements and Repairs in the Loan Documents when required by the Letter of Commitment.
- When problematic materials, equipment and systems are identified, as described in Section 62.5(c)
  - Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property
  - Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems

### **62.3 Property condition report requirements (12/12/24)**

#### **a. General requirements for property condition reports (01/01/13)**

Each property condition report must:

- Be prepared by a consultant who meets the qualifications and requirements stated in Section 62.8
- Include information disclosed by a comprehensive inspection of the Property
- Meet the requirements of Sections 62.4 and 62.5
- Indicate the appropriate category described below for each repair item except Routine Repairs and Maintenance
- For every Critical Repair and Priority Repair that is identified, provide a suggested remedy and a cost for repair or replacement
- If a cost for repair or replacement of any item cannot be identified without further analysis, recommend a scope for the analysis and the estimated cost of such analysis

The property condition consultant must review pertinent information and records in accordance with Section 62.5.

#### **b. Repair categories (12/12/24)**

The repair categories are as follows:



- Critical Repairs – Repairs and replacements required to address conditions that significantly impair habitability, safety, value, income or marketability due to the failure or combination of failing conditions of any major building system or structure and that must be corrected before Freddie Mac will proceed with the transaction
- Priority Repairs – Repairs and replacements of conditions noted below that must be addressed within 365 days after the Origination Date unless they are designated as PR-90 Repairs, which must be addressed within 90 days after the Origination Date. Priority Repairs consist of:
  - All Life Safety Hazards
  - Violations of any federal, State or local law, ordinance or code relating to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
  - Physical Deficiencies – Unresolved problems that cannot reasonably be addressed by or have not been addressed by normal operations or Routine Repairs and Maintenance and which include:
    - Deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year
    - Deficiencies that will likely result in a significant escalation of remedial cost related to any material building components that are approaching, have reached or exceeded their typical expected useful life or whose remaining useful life should not be relied upon in view of actual or effective age, abuse, excessive wear and tear, poor maintenance and exposure to the elements
    - Any Mold, water intrusions or potentially damaging leaks
  - Deferred Maintenance – The postponement of normal maintenance, which cannot reasonably be resolved by or has not been addressed by normal operations or Routine Repairs and Maintenance, having a cost of more than \$3,000 per repair item. Deferred Maintenance may result in any of the following:
    - Physical deterioration
    - Lack of full operation or efficiency
    - Increased operating costs
    - Decline in property value
- PR-90 Repairs – Priority Repairs that must be addressed within 90 days after the Origination Date. PR-90 Repairs consist of:





- Any Life Safety Hazard that is about to cause harm and represents an imminent or immediate risk to tenants that encounter the hazard
- Any condition that may cause imminent damage or is the cause of immediate damage to any major building system or structure that if left uncorrected, could result in a Critical Repair
- Routine Repairs and Maintenance – Repairs and maintenance that are expected to be completed by the Borrower in the normal course of property operations and are nominal in cost. These repairs are not considered to be Critical Repairs or Priority Repairs and include work that is:
  - Often preventative in nature
  - Accomplished within the Property's normal operating budget
  - Typically completed by on-site staff
  - Focused on keeping the Property fully functioning and serviceable
  - Minor Deficiencies or Deferred Maintenance with a cost of \$3000 or less per repair item

The property condition consultant is not expected to identify in the property condition report Routine Repairs and Maintenance that are part of a current standard property operating procedure so long as these items appear to have been repaired or maintained regularly. The property condition consultant should assess if items that show a lack of repair and maintenance warrant categorization as a Priority Repair.

See Section 62.6(f) for the requirement to identify capital needs over the term of the Mortgage (Replacement Reserves).

**c. Specific requirements for property condition reports (02/17/22)**

[Form 1105, Property Condition Assessment](#), must be completed and submitted as described in Section 62.6.

The property condition report must:

- Clearly state any limiting conditions and the intended purpose of the report
- Identify deviations from the Guide requirements and the most recent version of ASTM standard E2018
- Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac

At initial submission of the full underwriting package to Freddie Mac, the site inspection supporting the property condition report must be dated within 30 days prior to the date of the property condition report.



In addition, the Seller/Servicer must direct the property condition consultant to include the following language in the property condition report:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
  - any initial purchaser or subsequent holder of such debt and/or securities;
  - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
  - any indenture trustee;
  - any rating agency; and
  - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

Freddie Mac may require that the property condition report be updated if the property condition report is dated more than six months prior to the date that the Letter of Commitment or Acceptance Letter or Modification Letter, as applicable, for an early rate-lock application is issued.

Freddie Mac may require other specialized reports to address specific issues, when needed.



## 62.4 Data collection and records inquiry for the property condition report (12/12/24)

The property condition consultant must:

- Review information pertaining to the maintenance, repair and replacement of major building components or systems
- Review all significant maintenance reports, repair receipts and replacement items completed within the past 12 months, as well as elevator, boiler and safety inspection records and certificates
- Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress
- Determine if any deficiencies identified in the inspection are included in the Borrower's scope of work, and if deficiencies noted are part of planned or ongoing improvements, analyze the Borrower's budget associated with this work to determine the adequacy of the budget
- Note readily observable deficiencies and/or violations of any federal, State or local laws, ordinances or codes that remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
  - For properties built prior to the enactment of the Fair Housing Act and the American Disabilities Act, note any conditions that could be repaired and/or renovated that pursuant to the applicable federal, State and local laws, statutes and regulations are "**readily achievable**" and/or qualify as "**reasonable accommodations**" which will increase accessibility for disabled tenants and visitors to the property in accordance with the applicable laws, statutes and regulations
- Make appropriate inquiry through publicly available sources to determine if any federal, State or local law, ordinance or code violations remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
- For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64.2, evaluate the seismic risk factors found in Section 64.2(c)
- For a Property where a Solar Electric System is installed or will be installed, include information outlined in Section 8.21(f)

The property condition report must identify the information the consultant reviewed and the contacts that the consultant made.



## 62.5 Inspection requirements for the property condition report (12/15/22)

The property condition consultant must perform a complete inspection of the exterior and interior of the Property's components. This inspection must document the types of materials, systems and equipment observed and must include an evaluation of the installation and the age and condition.

### a. Property grounds and buildings (12/15/22)

A review of the property grounds and buildings (both residential and nonresidential buildings and structures) must consist of an inspection of at least the following:

1. Site work (for example, drainage, paving, flatwork, accessibility, lighting, landscaping, irrigation, signage, refuse containment, garages and carports, fencing and retaining walls)
2. Roofing (for example, material condition and age, parapets, scuppers, drains, gutters and downspouts, flashing and coping, skylights)
3. Building facades (for example, building materials, condition, and water penetration; windows; doors, sealants)
4. Structure (for example, foundations, framing systems, balconies and exterior stairs)
5. Heating, ventilation and air conditioning (HVAC) systems (for example, manufacturer and capacity)
6. Plumbing systems (for example, fixtures, piping materials used, supply system, waste system and vent system)
7. Electrical system (for example, capacity, fixtures, distribution system and emergency power)
8. Elevators (for example, cab, controls and equipment and inspection certifications)
9. Amenities (for example, pool, sports courts, playground)
10. Safety and warning devices (for example fire protection and security systems)
11. Water and seepage conditions
12. Septic/well systems
13. If the Property is located in an Elevated Seismic Hazard Region, as defined in Section 64.2, the seismic risk factors found in Section 64.2(c)

### b. Dwelling units, commercial units and building interior (01/31/14)

A review of the interiors of the dwelling units, commercial units and all building common areas must include the inspection of at least the following:



1. Interior spaces (for example, cabinets, appliances, fixtures with finishes described, conditions noted and accessibility evaluated)
2. Common space (for example, lobbies, corridors, stairs, offices, laundry, garage, etc. with finishes described, conditions noted and accessibility evaluated)
3. Flooring materials and condition (for example, subfloor and finishes such as wood, carpet, vinyl or other mastic tiles)
4. Wallboard and ceiling coverings (for example, gypsum, paneling or other types of coverings for walls and acoustic panels, gypsum or other for ceilings)
5. Fixtures (for example, wiring devices and plumbing and electrical fixtures)
6. Windows (for example, hardware, treatments, screens and storm windows)
7. Doors (for example, hardware, locks and security devices)
8. Intercoms and other security and safety devices (for example, smoke detectors)
9. Kitchen appliances and cabinets/countertops
10. Bathroom fixtures and plumbing
11. Fireplaces
12. Washers/dryers and/or hookups
13. Fire/safety protection devices (for example, smoke detectors, alarms, sprinklers, fire extinguishers, security devices)

The consultant must inspect sufficient units to accurately evaluate the condition of each building and its systems. The consultant must select the units to be inspected and ensure that all buildings and unit types are reviewed. The minimum number of units to be inspected is:

- 100 percent of all commercial units
- Overall, at least 10 percent of all residential units, as follows:
  - At least 50 percent of vacant units, and
  - At least 50 percent of Down Units; if the conditions in the Down Units vary considerably, the consultant must inspect additional units to adequately identify the costs to make the Down Units rent-ready

**c. Problematic materials, equipment and systems (06/27/19)**

For a Mortgage secured by an MHC Property, see Section 22.6(b) in addition to the requirements of this Section 62.5(c).



As part of the inspection of the Property, the consultant must evaluate any potentially problematic materials, equipment or systems. Problematic building components include those that historically have performed poorly and those subject to recalls and/or class action lawsuits.

In particular, consultants should evaluate the following items:

1. Electrical capacity, overload protection and aluminum wiring

The minimum amperage acceptable to each unit is 60 amperes. If service levels less than 60 amperes are encountered or reported, the consultant must:

- Perform a load calculation for each unit type affected based on the most current guidelines described in National Electric Code (NEC) Article 220, Sections I-III, or review the results of a load calculation similarly prepared by a licensed electrician or electrical engineer
- Make corrective recommendations as appropriate

If the power supply is found to be inadequate, then corrective measures must be made before the Origination Date or a Repair Reserve with a completion date satisfactory to Freddie Mac must be established to correct the inadequate power supply. Regardless of the service level or the results of a load calculation, the Property must meet the minimum requirements of the NEC and all local building codes.

Overload protection for all apartments must, at a minimum, be provided by circuit breakers or tamper-proof (S-type) fuses. If S-type fuses are present, the consultant must determine the adequacy of the installation and associated components, and whether an upgrade to circuit breakers is warranted. Any overload protection devices that are not tamper-proof must be replaced prior to the Origination Date.

If aluminum wiring is present, the consultant must identify all branch wiring terminations that are either:

- Unsafe
- Not code-compliant
- Not a “permanent repair” as indicated by the Consumer Product Safety Commission

The consultant must identify any required repairs for any connections that are unsafe or not code-compliant.

2. Private wells

For any property with a private well(s), the consultant must inspect all visible components and describe the system, including its intended uses, historical operations and adequacy. Additionally, the consultant must:

- a. Verify that access to equipment is restricted to authorized personnel
- b. Provide costs for connecting to the municipal water system if one is readily available



- c. Identify any backup water source in the event the system becomes unusable – if no source is in place, provide recommendations and costs for providing one
  - d. Confirm historical operations of the system, including any violations
  - e. Identify reserves needed to maintain the system
  - f. Determine if private wells are common to the market
  - g. Confirm any required license or authorization to operate the system is in place
  - h. Confirm that the Borrower is the only party using or authorized to use the private well(s) servicing the property (i.e., no third-party has the right to tie-in to the Borrower's private well(s) and the Borrower's license or authorization to operate the private well(s) is not conditioned on providing private well services to another property)
  - i. Confirm professional third-party maintenance
  - j. Confirm that the private well(s) meet or exceed applicable federal, state, and local requirements
  - k. Confirm that wells are neither owned nor maintained by residents
3. Private wastewater treatment system(s) (including septic and lift systems)

For any property with a private septic/waste treatment system (including lift system), the consultant must inspect all visible components and describe the system, including its historical operations and adequacy. Additionally, the consultant must:

- 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 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 (12/12/24)

The consultant must complete [Form 1105, Property Condition Assessment](#) and must deliver a Property Condition Assessment Report (PDF Format, including [Form 1105](#)).

The following chart lists the sections of [Form 1105](#).

Section number	Section name
Section I	Summary
Section II	Property Inspection and Evaluation
Section III	Repairs and Cost Estimates
Section IV	Private Wells, Wastewater Treatment Systems, and Lift Stations
Section V	Manufactured Housing Communities
Section VI	Capital Needs Over the Loan Term
Section VII	Repair Categories

#### a. Summary (12/14/23)

In Section I, the consultant must:

- Provide general information on the consultant and the Property



- Summarize the building and material characteristics for the Property
- List the units inspected
- List the parties present during the site visit
- For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64.2, evaluate the high-risk seismic factors
- Provide the required certification for the [Form 1105](#) and the attached narrative

The consultant must complete Section I of [Form 1105](#) in its entirety and sign the form.

**b. Property inspection and evaluation (12/12/24)**

In Section II, the consultant must:

- Provide a summary describing the general condition, useful life, quality and adequacy of each of the Property components as required in Section 62.5
- Estimate the useful life of each of the Property components based on industry standards
- Estimate the remaining useful life of each of the Property components based on time of actual usage, quality, condition, maintenance, exposure to weather and other factors that may impact the remaining useful life
- Provide the costs for repair or replacement for any components that are identified with useful lives that will expire within the Mortgage term or shortly thereafter
- In the Comments columns, note any Life Safety Hazards, deficiencies, deferred maintenance, problematic materials, Mold or evidence of wood-damaging insect infestation observed at the Property
- List all findings of the inspection, research and information collected as part of the assessment
- Note any Critical Repairs and Priority Repairs (The report is not expected to identify Routine Repairs and Maintenance that are part of the current operating standards so long as these items appear to have been repaired or maintained regularly. The property condition consultant should assess if items that do show a lack of repair and maintenance warrant categorization as a Priority Repair.)
- Offer a recommended remedy that is appropriate to the particular problem and to the Property for each deficiency identified on this form (In case of serious problems that may involve considerable time and cost to cure, the consultant must also offer alternative solutions that can provide a temporary or partial remedy.)

**c. Repairs and cost estimates (12/12/24)**

In Section III, the consultant must:

- Identify the Critical Repairs and Priority Repairs
- Identify Priority Repairs that need to be completed as soon as possible as PR-90 Repairs, as defined in Section 62.3(b), indicating that these repairs should be completed within 90 days after the Origination Date
- Estimate the costs of such repairs (the unit of measure and quantity of the specific items to be repaired or replaced, the per-item costs and the estimated total cost to repair or replace the items)
- Provide the location of the items and repairs identified

**d. Private Wells, Wastewater Treatment Systems, and Lift Stations (06/29/18)**

In Section IV, the consultant must:

- Identify which private systems are at the Property or confirm that none are present
- Answer all applicable questions and provide requested detail

**e. Manufactured Housing Communities (06/29/18)**

In Section V, the consultant must:

- State if the subject is a Manufactured Housing Community or if Manufactured Housing units are present at the Property
- Answer all applicable questions and provide requested detail

**f. Capital Needs Over the Mortgage Term (Replacement Reserves) (12/12/24)**

In Section VI, the consultant must:

- Identify the items needing repair or replacement during the term of the Mortgage that are beyond the scope of normal operations and regular maintenance but are necessary to maintain the overall condition of the Property
- Provide an assessment of the Property that:
  - Projects the need for replacements and repairs for the term of the Mortgage plus two years, to a maximum of 12 years
  - Identifies and quantifies the needs and the annual costs after accounting for the inflation factor as indicated in Section VI of the form



Freddie Mac will review the consultant's assessment and determine the actual Replacement Reserve amount. For a Mortgage with a term of more than 10 years, see Section 39.6(f) for additional Replacement Reserve requirements.

For Seniors Housing Mortgages, see additional requirements for the Replacement Reserve analysis in Section 21.16(e).

For Manufactured Housing Communities Mortgages, see additional requirements for the Replacement Reserve analysis in Section 22.2(i).

**g. Repair Categories (12/12/24)**

Section VII provides brief definitions of Critical Repairs and Priority Repairs.

**h. Additional information (06/29/18)**

Photographs, data collected and records inquiries compiled as part of the investigation must be attached to the report.

**62.7 Acceptability of the property condition report (07/01/14)**

The property condition report and the condition of the Property must be acceptable to Freddie Mac. The property condition report must specify an appropriate solution for each deficiency identified. The consultant must identify the scope and estimated cost for all Critical Repairs and Priority Repairs. Upon Freddie Mac's review of the completed property condition report, Freddie Mac may impose additional requirements.

**62.8 Property condition consultant qualifications and requirements (02/28/18)**

Consultants who conduct the on-site inspections and complete the property condition reports must meet the qualifications and requirements specified in this section.

Because Freddie Mac does not approve property condition consultants, the Seller/Servicer must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare property condition reports. The Seller/Servicer is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.

**a. General requirements (09/08/04)**

Consultants' qualifications may vary with the needs of the specific assignment: general inspection services or specific technical analysis may be required. The consultant must be able to analyze building systems and site conditions professionally, identify deficiencies and recommend remedial responses with cost estimates.

**b. References and experience (02/28/18)**

A consultant performing inspections and preparing property condition reports must have all of the following qualifications:



- A bachelor's or graduate degree in architecture and/or a related engineering field from an accredited institution
- Five or more years of experience in one or more of the following disciplines: architecture, engineering (structural, mechanical or civil) and/or construction/cost estimating
- Three or more years of experience performing multifamily property inspections
- Two or more years of experience conducting similar work for financial institutions

The Seller/Service must check at least three client references from the consultant's previous lenders to determine whether the projects were

- Similar in scope and purpose to the Property
- Completed on time
- Of sufficient quality

The Seller/Service must review the consultant's licensing and other certifications (in States where they are applicable), as well as listings of affiliations or memberships in professional organizations. The Seller/Service must also maintain in its file for review by Freddie Mac a current resume for the consultant, a current insurance certificate and the required references.

**c. Conflicts of interest/provision of related services (03/31/11)**

The consultant may not be affiliated with the Borrower, the Seller/Service, 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/Service 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/Service must retain the original certificate(s) of liability insurance in its files.

**e. Unacceptable consultants (02/29/12)**

The Seller/Service must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Service, 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/Service must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept property condition reports completed by any specific consultant. Freddie Mac will maintain, at [mf.freddiemac.com](http://mf.freddiemac.com), the [Multifamily Restricted Vendor List](#). If a property condition consultant appears on the Multifamily

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Restricted Vendor List, the Seller/Servicer may not use that consultant to inspect a Property until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable property condition consultants do not prepare reports for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

#### **62.9 Coordination with Appraisal (03/31/11)**

The Seller/Servicer must provide copies of the completed property condition report to the appraiser so that the property's physical condition may be considered in the Appraisal.

#### **62.10 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the warranties regarding the property condition consultant and property condition report set forth in Section 5.4.



# Multifamily Seller/Service Guide

## Chapter 62SBL

### SBL Physical Risk Report Requirements



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- 62SBL.12 [Lead-based paint \(02/16/23\)](#)
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## 62SBL.1 SBL Physical Risk Reports (12/12/24)

Unless otherwise required by Freddie Mac, this chapter applies to loans purchased under the SBL Purchase Product.

This chapter sets forth the requirements, duties and responsibilities of the Seller/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.

Freddie Mac requires the Seller/Servicer to submit an SBL Physical Risk Report – [Form 1104](#) (SBL Physical Risk Report) meeting the requirements of Section 62SBL.3 before Freddie Mac will issue a Letter of Commitment to purchase a Mortgage.

### a. Purpose of the SBL Physical Risk Report (12/12/24)

The purpose of the SBL Physical Risk Report is to:

- Provide a brief description of all major building components and their condition
- Identify all deferred maintenance that is currently affecting building components or is expected to have a negative impact on building components
- Identify Critical Repairs and Priority Repairs (as defined in Section 62SBL.3(b)) needed and provide cost estimates for those items
- Identify the capital needs over the term of the Mortgage and establish the appropriate amount of Replacement Reserve
- Review the evidence of capital expenditures or construction work provided by the Seller, determine whether the related costs are generally reasonable for the completed work, and if visually ascertainable, identify whether the improvements generally align with the documentation
- Identify any current or past water intrusion, potentially damaging leaks or organic growth issues (Mold) and identify the source(s) of all water and Mold
- Identify problematic materials, equipment or systems as defined in Section 62SBL.5(c)
- Identify all readily observable issues related to non-compliance with applicable codes, including disability accessibility requirements, and all issues that could negatively affect the health and safety of the tenants
- For a property in an Elevated Seismic Hazard Region, evaluate the seismic risk factors identified in Section 64SBL.2(c)
- Identify any potential environmental concerns at the subject property and on adjacent properties



**b. Information to be provided with the SBL Physical Risk Report (02/16/23)**

The completed SBL Physical Risk Report which conveys information about the property features, conditions, potential environmental concerns and all recommended remedies must be submitted to Freddie Mac along with copies of:

- All information the consultant reviewed, including all data and records provided by the Borrower as well as test results and data reviewed in accordance with Section 62SBL.4 (Key documents, such as test results, environmental databases and renovation scope of work and budgets, should be included in the report appendix.)
- Sufficient standard-size color photographs as are necessary to illustrate the conditions discussed in the report, including completed capital improvements (if visually ascertainable) or construction. (The consultant must determine the number of photographs that will be necessary and include the photographs, with a description for each photograph.)
- A site plan(s) to adequately locate the Property and provide an indication of the site layout
- The resume of the individual who performed the on-site inspection
- The resume(s) of the individual(s) who reviewed the report, if different from the individual who performed the inspection

**62SBL.2 Specific Seller/Service duties and responsibilities (12/12/24)**

The Seller/Service must exercise due diligence when evaluating a Property, make appropriate inspections and inquiries to learn its true condition and take responsible actions to manage the risk of loss from property condition deficiencies and environmental hazards.

The Seller/Service's responsibilities are to:

- Retain and direct the physical risk consultant

The Seller must review and verify the physical risk consultant's credentials, licensing, certifications, memberships and affiliations. For new consultants, the Seller must check at least three references from lenders who have retained or employed the physical risk consultant to sufficiently evaluate the consultant's capabilities and performance. The Seller must maintain a separate physical risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each consultant's performance, as well as the consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the physical risk consultant; however, the Borrower may be responsible for paying the costs of all physical risk consultant services.

- Disclose if the State where the Property is located has an Environmental Superlien Law



Because an environmental superlien could take precedence over the Mortgage, the Seller/Servicer must highlight the existence of the Environmental Superlien Law when the Seller/Servicer brings to Freddie Mac's attention any conditions that could result in such a lien being imposed on the Property.

- Disclose to the *Multifamily Small Balance Loan Team* and the physical risk consultant knowledge of any environmental matter that may affect the Property and knowledge of any physical deficiencies
- Keep abreast of local health, safety accessibility and environmental laws governing the Property
- Provide to the consultant any previously completed SBL Physical Risk Report, in Seller/Servicer's possession, property condition report or environmental report and all information pertaining to the maintenance, repair and replacement of major building components or systems before the consultant physically inspects the Property as required in Section 62SBL.4
- Determine if an operations and maintenance (O&M) program is required and obtain an O&M program that is acceptable to Freddie Mac
- Assess the Borrower's ability to successfully execute an O&M program
- Obtain the SBL Physical Risk Report for the Property
  - Review the SBL Physical Risk Report to ensure that it complies with Freddie Mac's requirements and to verify that conclusive recommendations are provided for all identified issues
  - Obtain additional analysis as necessary to resolve any issues with respect to which the consultant was unable to reach a conclusion.
- Ensure the appropriate risk management actions have been undertaken for identified environmental hazards
- Provide a copy of the completed SBL Physical Risk Report to the appraiser so that the appraiser can appropriately incorporate the issues identified into the economic evaluation of the Property
- Provide a copy of the completed SBL Physical Risk Report to the Borrower so that the Borrower can understand their obligations to complete the identified Priority Repairs (including PR-90 Repairs) as specified in the Loan Documents
- In accordance with Section 8SBL.17
  - Report Critical Repair findings to Freddie Mac, and follow up to ensure timely completion of Critical Repairs



- Include completion, reserve funding, and other requirements for Capital Replacements and Repairs in the Loan Documents when required by the Letter of Commitment
- When problematic materials, equipment and systems are identified, as described in Section 62SBL.5(c)
  - Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property
  - Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems

### **62SBL.3 SBL Physical Risk Report requirements (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 Physical Risk Report, and any references to the environmental consultant are to be understood as referring to the physical risk consultant.



**b. Repair categories (12/12/24)**

The repair categories are as follows:

- Critical Repairs – Repairs and replacements required to address conditions that significantly impair habitability, safety, value, income or marketability due to the failure or combination of failing conditions of any major building system or structure and that must be corrected before Freddie Mac will proceed with the transaction
- Priority Repairs – Repairs and replacements of conditions noted below that must be addressed within 365 days after the Origination Date unless they are designated as PR-90 Repairs, which must be addressed within 90 days after the Origination date. Priority Repairs consist of:
  - All Life Safety Hazards
  - Violations of any federal, State or local law, ordinance or code relating to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
  - Physical Deficiencies – Unresolved problems that cannot reasonably be addressed by or have not been addressed by normal operations or Routine Repairs and Maintenance and which include:
    - Deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year
    - Deficiencies that will likely result in a significant escalation of remedial cost related to any material building components that are approaching, have reached or exceeded their typical expected useful life or whose remaining useful life should not be relied upon in view of actual or effective age, abuse, excessive wear and tear, poor maintenance and exposure to the elements
    - Any Mold, water intrusions or potentially damaging leaks
  - Deferred Maintenance – The postponement of normal maintenance, which cannot reasonably be resolved by or has not been addressed by normal operations or Routine Repairs and Maintenance, having a cost of more than \$3,000 per repair item. Deferred Maintenance may result in any of the following:
    - Physical deterioration
    - Lack of full operation or efficiency
    - Increased operating costs
    - Decline in property value





- PR-90 Repairs – Priority Repairs that must be addressed within 90 days after the Origination Date. PR-90 Repairs consist of:
  - Any Life Safety Hazard that is about to cause harm and represents an imminent or immediate risk to tenants that encounter the hazard
  - Any condition that may cause imminent damage or is the cause of immediate damage to any major building system or structure that if left uncorrected, could result in a Critical Repair
- Routine Repairs and Maintenance – Repairs and maintenance that are expected to be completed by the Borrower in the normal course of property operations and are nominal in cost. These repairs are not considered to be Critical Repairs or Priority Repairs and include work that is:
  - Often preventative in nature
  - Accomplished within the Property's normal operating budget
  - Typically completed by on-site staff
  - Focused on keeping the Property fully functioning and serviceable
  - Minor Deficiencies or Deferred Maintenance with a cost of \$3,000 or less per repair item

The physical risk consultant is not expected to identify in the SBL Physical Risk Report Routine Repairs and Maintenance that are part of a current standard property operating procedure so long as these items appear to have been repaired or maintained regularly. The physical risk consultant should assess if items showing a lack of repair and maintenance warrant categorization as a Priority Repair.

**c. Capital needs over the term of the Mortgage (Replacement Reserves) (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. 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 (12/12/24)

The physical risk consultant must:

- Review information pertaining to the maintenance, repair and replacement of major building components or systems
- Review all significant maintenance reports, repair receipts and replacement items completed within the past 12 months, as well as elevator, boiler and safety inspection records and certificates
- Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress
- Review evidence of completed capital expenditures or construction costs
- Determine if any deficiencies identified in the inspection are included in the Borrower's scope of work, and if deficiencies noted are part of planned or ongoing improvements, analyze the Borrower's budget associated with this work to determine the adequacy of the budget
- Note readily observable deficiencies and/or violations of any federal, State or local laws, ordinances or codes that remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
  - For properties built prior to the enactment of the Fair Housing Act and the American Disabilities Act, note any conditions that could be repaired and/or renovated that pursuant to the applicable federal, State and local laws, statutes and regulations are **"readily achievable"** and/or qualify as **"reasonable accommodations"** which will increase accessibility for disabled tenants and visitors to the property in accordance with the applicable laws, statutes and regulations
- Make appropriate inquiry through publicly available sources to determine if any federal, State or local law, ordinance or code violations remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
- For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64SBL.2, evaluate the seismic risk factors found in Section 64SBL.2(c)
- Review all appropriate environmental records, including previous environmental assessment reports, past test results, information on historical use of the subject property and neighboring properties and governmental environmental database records
- Make appropriate inquiry regarding the use and ownership of potentially hazardous equipment at the subject property



- Conduct any required environmental testing in conformance with applicable local, State and federal regulations and licensing requirements

The SBL Physical Risk Report must identify the information the consultant reviewed and the contacts that the consultant made.

## **62SBL.5 Inspection requirements for the SBL Physical Risk Report (12/12/24)**

The physical risk consultant must perform a complete inspection of the exterior and interior of the Property's components. This inspection must document the types of materials, systems, equipment and potential environmental concerns observed.

### **a. Property grounds and buildings (12/15/22)**

A review of the property grounds and buildings (both residential and nonresidential buildings and structures) must consist of an inspection of at least the following:

1. Site work (for example, drainage, paving, flatwork, accessibility, lighting, landscaping, irrigation, signage, refuse containment, garages and carports, fencing and retaining walls)
2. Roofing (for example, material condition and age, parapets, scuppers, drains, gutters and downspouts, flashing and coping, skylights)
3. Building facades (for example, building materials, condition, and water penetration; windows; doors, sealants)
4. Structure (for example, foundations, framing systems, balconies and exterior stairs)
5. Heating, ventilation and air conditioning (HVAC) systems (for example, manufacturer and capacity)
6. Plumbing systems (for example, fixtures, piping materials used, supply system, waste system and vent system)
7. Electrical system (for example, capacity, fixtures, distribution system and emergency power)
8. Elevators (for example, cab, controls and equipment and inspection certifications)
9. Amenities (for example, pool, sports courts, playground)
10. Safety and warning devices (for example fire protection and security systems)
11. Water and seepage conditions
12. Septic/well systems
13. If the Property is located in an Elevated Seismic Hazard Region, as defined in Section 64SBL.2, the seismic risk factors found in Section 64SBL.2(c)



**b. Dwelling units, commercial units and building interior (06/30/16)**

A review of the interiors of the dwelling units, commercial units and all building common areas must include the inspection of at least the following:

1. Interior spaces (for example, cabinets, appliances, fixtures with finishes described, conditions noted and accessibility evaluated)
2. Common space (for example, lobbies, corridors, stairs, offices, laundry, garage, etc. with finishes described, conditions noted and accessibility evaluated)
3. Flooring materials and condition (for example, subfloor and finishes such as wood, carpet, vinyl or other mastic tiles)
4. Wallboard and ceiling coverings (for example, gypsum, paneling or other types of coverings for walls and acoustic panels, gypsum or other for ceilings)
5. Fixtures (for example, wiring devices and plumbing and electrical fixtures)
6. Windows (for example, hardware, treatments, screens and storm windows)
7. Doors (for example, hardware, locks and security devices)
8. Intercoms and other security and safety devices (for example, smoke detectors)
9. Kitchen appliances and cabinets/countertops
10. Bathroom fixtures and plumbing
11. Fireplaces
12. Washers/dryers and/or hookups
13. Fire/safety protection devices (for example, smoke detectors, alarms, sprinklers, fire extinguishers, security devices)

The consultant must inspect sufficient units to accurately evaluate the condition of each building and its systems and in no case may inspect fewer than three units.

In addition, the consultant must select the units to be inspected and ensure that all buildings and unit types are reviewed and that all of the following are inspected:

- 100 percent of all commercial units
- At least 10 percent of all residential units, to include:
  - At least 50 percent of vacant units, and
  - At least 50 percent of Down Units; if the conditions in the Down Units vary considerably, the consultant must inspect additional units to adequately identify the costs to make the Down Units rent-ready

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**c. Problematic materials, equipment and systems (12/12/24)**

As part of the inspection of the Property, the consultant must evaluate any potentially problematic materials, equipment or systems. Problematic building components include those that historically have performed poorly and those subject to recalls and/or class action lawsuits.

In particular, consultants should evaluate the following items:

**1. Electrical capacity**

- The minimum amperage acceptable to each unit is 60 amperes, except that 40 amperes is the minimum allowable service level acceptable without a load analysis, provided all of the following conditions are met:
  - No washing machines or clothes dryers are located in the units
  - No heating systems, stovetops, stovetop appliances, and water heaters are powered by electricity
  - No air conditioning units of any type are used unless serviced by a separate dedicated circuit
  - No atypical equipment with high electricity demands (e.g., whirlpool tubs, freezer units, etc.) is located in the units
  - No units are over 750 square feet

If service levels less than the minimum allowable service levels (60 or 40 amperes, as applicable) are encountered or reported, the consultant must:

- Perform a load analysis for each unit type affected based on the most current NEC guidelines or review the results of a load analysis similarly prepared by a licensed electrician or electrical engineer
- Make corrective recommendations as appropriate

If the power supply is found to be inadequate, then the Borrower must take corrective measures before the Origination Date or correcting the inadequate power supply must be identified in the SBL Physical Risk Report as a Priority Repair. Regardless of the service level or the results of a load analysis, the Property must meet the minimum requirements of the National Electric Code and all local building codes.

**2. Overload protection**

Overload protection for all apartments must, at a minimum, be provided by circuit breakers or tamper-proof (S-type) fuses. If S-type fuses are present, the consultant must determine the adequacy of the installation and associated components, and whether an upgrade to circuit breakers is warranted. Any overload protection devices that are not tamper-proof must be replaced prior to the Origination Date.

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### 3. Aluminum wiring

If aluminum wiring is present, all branch wiring terminations must have safe, code-compliant connections that are rated to accept aluminum wiring, or corrective, code-compliant repairs must be made before the Origination Date.

#### d. Moisture or Mold issues (10/14/16)

The consultant must identify any Mold problems for all areas observed by completing the following tasks:

1. Search for visual or olfactory evidence of moisture or Mold issues in all areas required to be inspected as set forth in Sections 62SBL.5(a) and 62SBL.5(b)
2. Make inquiries of the Property owner, manager or other knowledgeable Property staff regarding past and current water intrusion, potentially damaging leaks or any known Mold issues
3. Make inquiries of the Property owner, manager or other knowledgeable Property staff about whether there have been any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
4. Inspect areas where water intrusion or leaks were reported
5. Inspect all building components or areas most typically associated with water intrusion or potentially damaging leaks
6. Identify any defective building condition that would likely lead to future water intrusion or leaks

Other than minor Mold due to poor housekeeping, the consultant must identify the cause of any Mold problem.

If the SBL Physical Risk Report indicates that there are moisture or Mold issues, the sources of all identified water intrusion or potentially damaging leaks must be corrected and all Mold issues must be corrected in accordance with Environmental Protection Agency (EPA) guidelines for clean-up and remediation prior to the Origination Date. If the moisture or Mold issues are not corrected prior to the Origination Date, correction, clean-up and remediation must be identified in the SBL Physical Risk Report as a Priority Repair.

In addition, prior to the Origination Date, the Borrower must establish a Moisture Management Plan in accordance with the requirements set forth in Section 8SBL.3(a).

Any Property where Mold issues have been identified will be subject to

- The Increased Scrutiny for Moisture or Mold Issues requirements set forth in Section 8SBL.3(b)
- The Special Moisture or Mold Issues Inspection requirements set forth in Section 8SBL.3(c)





**e. Wood-damaging insects (12/15/16)**

During the inspection, the consultant must comment on observable evidence of wood-damaging insects (e.g., termites, powderpost beetles, carpenter ants, etc.) and/or deterioration due to wood-damaging insects in all areas required to be inspected in Sections 62SBL.5(a) and 62SBL.5(b). The consultant must also ask the Property owner, manager or other staff knowledgeable about the Property about past wood-damaging insect issues and current evidence of wood-damaging insects and/or wood-damaging insect deterioration, and inspect those areas.

Repair of any damage by wood-damaging insects must be identified in the SBL Physical Risk Report as a Priority Repair.

**f. Environmental issues to be evaluated (02/16/23)**

Each SBL Physical Risk Report must evaluate conditions and contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which include the following Scope Issues:

1. Hazardous materials
2. Storage tanks
3. Polychlorinated biphenyls (PCBs)
4. Prior use
5. Neighborhood hazardous waste activity

Each SBL Physical Risk Report must also include an evaluation of the following Non-Scope Issues:

1. Asbestos
2. Lead-based paint (LBP)
3. Drinking water quality
4. 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/Servicer that the ACM removal was performed by properly trained individuals in accordance with prudent industry standard practices and complied with all federal, State and local requirements governing the removal, transport and disposition of ACM

## **62SBL.12 Lead-based paint (02/16/23)**

Refer to Sections 61.11(a) through 61.11(f).

## **62SBL.13 Drinking water quality (02/16/23)**

The physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this risk. If any responses to the

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questionnaire are “unknown”, the consultant must explain why this data gap is not a problem or an environmental assessment must be conducted. If any responses to the questionnaire are “yes”, then an environmental assessment must be conducted.

If an environmental assessment is warranted, refer to Sections 61.12(a) through 61.12(e).

#### **62SBL.14 Radon (06/30/16)**

SBL Properties are not required to be tested for the presence of radon.

#### **62SBL.15 Superlien status (06/30/16)**

Refer to Section 61.15.

#### **62SBL.16 Acceptability of the SBL Physical Risk Report (02/16/23)**

The SBL Physical Risk Report and the condition of the Property must be acceptable to Freddie Mac. The SBL Physical Risk Report must specify an appropriate solution for each deficiency identified. The consultant must identify the scope and estimated cost for all Critical Repairs and Priority Repairs and all potential environmental concerns. Upon Freddie Mac's review of the completed SBL Physical Risk Report, Freddie Mac may impose additional requirements.

#### **62SBL.17 Physical risk consultant qualifications and requirements (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/Servicer must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare SBL Physical Risk Reports. The Seller/Servicer is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.

##### **a. General requirements (06/30/16)**

Consultants' qualifications may vary with the needs of the specific assignment: general inspection services or specific technical analysis may be required. The consultant must be able to analyze building systems, site conditions, and environmental issues professionally, identify deficiencies and recommend remedial responses with cost estimates.

##### **b. References and experience (02/16/23)**

A consultant performing inspections and preparing SBL Physical Risk Reports must have all of the following qualifications:

- A bachelor's or graduate degree in architecture or a related engineering field from an accredited institution
- Five or more years of experience in one or more of the following disciplines: architecture, engineering (structural, mechanical or civil) and/or construction/cost



estimating

- Three or more years of experience performing multifamily property inspections
- Two or more years of experience conducting similar work for financial institutions

Personnel directly involved with analyzing the environmental information and data for the SBL Physical Risk Report must also have expertise in at least the following relevant areas:

1. Soil and/or ground water contamination
2. Soil and/or ground water sampling
3. Asbestos identification and abatement
4. PCB contamination
5. UST identification, abandonment and removal supervision
6. LBP identification and abatement design and supervision
7. Familiarity with applicable federal, State and local environmental and public health laws and regulations
8. Development of O&M programs

For LBP and asbestos work, some States and municipalities require a license or certificate. The environmental consulting firm must have a sufficient number of properly licensed or certified employees to complete the project.

Additional training must include a 24-hour asbestos inspection course and an annual refresher course that, at a minimum, meets the EPA Guidelines for Asbestos Model Accreditation Plan Annual Refresher Training. Subsurface soil service providers must also complete the 40-hour Health and Safety Training for Hazardous Waste Operations course, with annual 8-hour refresher courses.

The Seller/Service must check at least three client references from the consultant's previous lenders to determine whether the projects were

- Similar in scope and purpose to the Property
- Completed on time
- Of sufficient quality

The Seller/Service must review the consultant's licensing and other certifications (in States where they are applicable), as well as listings of affiliations or memberships in professional organizations. The Seller/Service must also maintain in its file for review by Freddie Mac a current resume for the consultant, a current insurance certificate and the required references.



Freddie Mac will not accept an SBL Physical Risk Report from an individual or firm that has been excluded from EPA-assisted programs. The Seller/Serviceer 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/Serviceer, 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/Serviceer 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/Serviceer 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](http://mf.freddiemac.com), the [Multifamily Restricted Vendor List](#). If a physical risk consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to inspect a Property until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable physical risk consultants do not prepare reports for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

**62SBL.18 Mortgage Servicing for SBL Mortgages (10/14/16)**

Using either the Freddie Mac Annual Inspection Form (AIF) (for pre-securitized loans) or the MBA Inspection Form (for securitized loans), as applicable, the Seller/Servicer must confirm at the first annual inspection whether the items identified as Priority Repairs or PR-90 Repairs on [Form 1104, SBL Physical Risk Report](#), have been completed by the Borrower. All incomplete Priority Repair or PR-90 Repair items must be noted in the applicable inspection form. See Chapter 40 for additional information on submitting the AIF or the MBA Inspection Form.

In addition, when submitting the applicable inspection form, the Seller/Servicer must confirm that the Borrower is maintaining the Property according to any applicable O&M program, environmental law or regulation. The Seller/Servicer is not expected to obtain an environmental report along with the assessment inspection. However, the Seller/Servicer must make an on-site inspection prior to advising Freddie Mac of the property condition and the environmental status of the Property. The Seller/Servicer must inspect the buildings and grounds and review the activities of the Borrower, tenants, sublessors, their agents and any other third parties. These confirmations must specifically address the continuing effectiveness and adequacy of all current remedial and maintenance actions.

In addition, the Seller/Servicer must complete the applicable inspection form immediately following the occurrence of any event that might reasonably be expected to impact the physical or environmental condition of the Property or the adequacy of prescribed remedial or maintenance actions. Such events would include fire, flood, building construction or rehabilitation, spills or leaks of hazardous wastes or materials, unusual or intense use of property facilities, or significant changes in custodial or management personnel.

The Borrower must comply fully with all applicable building and environmental laws and report any violations of such laws to the Seller/Servicer and the appropriate federal, State or local authority.



The Seller/Servicer must require that the Borrower take all necessary actions to ensure that all violations are promptly corrected and that the Property is brought back to and maintained in full compliance with all appropriate environmental statutes and good management practices.

#### **62SBL.19 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the warranties regarding the SBL Physical Risk Report and the physical risk consultant set forth in Section 5.4.

# Multifamily Seller/Service Guide

## Chapter 63

### Construction Reports



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## 63.1 Construction reports (12/14/17)

### a. General requirements for construction reports (12/14/17)

Freddie Mac requires the following construction reports for Forward Commitments and Moderate Rehabilitation (Mod Rehab) Mortgages:

- Pre-construction analysis report (also called the pre-construction plan and cost review), as described in Section 63.3
- Construction monitoring reports, as described in Section 63.4
- Post-construction analysis report (also called the construction completion report), as described in Section 63.5

With respect to the construction reports and the inspections that provide information for the reports:

- The construction reports must be prepared by the Architectural Consultant meeting the requirements of Section 63.2(a)
- The inspections must be completed by either of the following:
  - An Architectural Consultant meeting the requirements of Section 63.2(a)
  - A property condition consultant meeting the requirements of Section 62.8(a)

The Seller/Service's responsibilities with respect to the hiring of an Architectural Consultant are outlined in Section 63.2(b). The responsibilities of the Seller/Service with respect to the hiring of the property condition consultant are outlined in Section 62.2.

For a Forward Commitment, the Seller/Service must maintain on its staff a Chief Architect/Engineer in accordance with Section 3.13 to evaluate the construction reports and the construction documentation.

For a Mod Rehab Mortgage, the Seller/Service must maintain staff that are knowledgeable about construction monitoring and construction draw processing.

### b. Specific requirements for construction reports (12/14/17)

Each construction report must:

- Clearly state any limiting conditions and the intended purpose of the report
- Identify deviations from the Guide requirements

Freddie Mac may require that a pre-construction analysis report be updated if it is dated more than six months prior to the date that the full underwriting package is delivered. If a pre-construction analysis report relies on a property condition report that is dated more than six months prior to the date the full underwriting package is delivered, Freddie Mac may



require a new inspection by the property condition consultant or the Architectural Consultant to verify the current property condition.

The timeline for preparing and completing the post-construction analysis report is detailed in Section 63.5(b).

Freddie Mac may require other specialized reports to address specific issues, when needed.

**c. Reliance for construction reports (06/28/13)**

Each construction report must include the following language:

“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.”



## 63.2 Retaining an Architectural Consultant (05/05/17)

### a. Requirements and qualifications of the Architectural Consultant (05/05/17)

The Architectural Consultant inspecting the Property and preparing the construction reports must meet the qualifications and requirements specified in this section.

The Architectural Consultant cannot be employed by or affiliated with the Seller/Service, the Borrower, the general contractor, the tax credit investor or the syndicator, or with any party related to the land acquisition or development of the Property. The Architectural Consultant must not be engaged to perform any design or construction services associated with the Property.

In general, the Architectural Consultant must be able to understand the construction process and construction documentation, including, but not limited to, plans, specifications, contracts, cost estimates, schedules, payment requisitions, change orders, codes and other governmental requirements, construction completion documentation and the roles of the participants in the construction process. The Architectural Consultant must be able to monitor construction progress.

The Architectural Consultant must have, at a minimum, the following qualifications:

- A professional undergraduate degree in architecture/engineering from an accredited institution
- Architectural registration
- Ten years of professional experience with at least five years of experience with multifamily properties
- A working knowledge of construction processes, building materials and methods of design and construction and the ability to develop cost estimates
- References that address the Architectural Consultant's:
  - Experience with projects of similar scope and complexity to the Property
  - Quality of work product
  - Timeliness of work product

Membership in one or more of the following professional organizations is highly desirable:

- American Institute of Architects
- Urban Land Institute
- Construction Specifications Institute



The Architectural Consultant must provide the Seller/Service with an original certificate of insurance that indicates that the Architectural Consultant is, at his or her own expense, covered by insurance meeting the requirements of Section 11.5.

**b. The Seller/Service's duties and responsibilities with respect to retaining an Architectural Consultant (05/05/17)**

The Seller/Service is responsible for retaining and directing an Architectural Consultant meeting the requirements of Section 63.2(a). The Seller/Service is responsible for selecting the Architectural Consultant and is solely accountable for the Architectural Consultant's performance. Because Freddie Mac does not approve Architectural Consultants, the Seller/Service must not consider any representation made by the Architectural Consultant or others that the Architectural Consultant is approved or qualified by Freddie Mac to prepare construction reports.

The Seller/Service must review and verify the Architectural Consultant's credentials, licensing, certifications, memberships and affiliations. The Seller/Service must check at least three references from the Architectural Consultant's previous lenders to sufficiently evaluate the consultant's capabilities and performance. The Seller/Service must maintain a separate Architectural Consultant file for Freddie Mac's use that includes the Seller/Service's ongoing evaluations of its performance, as well as the Architectural Consultant's current resume, required references and original certificate(s) of liability insurance per the requirements of Section 11.5.

For a Forward Commitment, the Architectural Consultant may be the same as the Architectural Consultant retained by the construction lender as long as this Architectural Consultant is engaged directly by the Seller/Service as evidenced by a consulting services agreement. However, if the consultant retained by the construction lender is not qualified per the requirements of Section 63.2(a) or if that consultant is unable or unwilling to provide reports that meet the requirements of this chapter, the Seller/Service must directly engage its own Architectural Consultant to prepare new or revised construction reports meeting Freddie Mac's requirements.

**c. Unacceptable Consultants (04/29/16)**

The Seller/Service must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Service, for cause, discontinues the use of an Architectural Consultant who has completed construction reports within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. The TAH Seller/Service must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept reports completed by any specific consultant. Freddie Mac will maintain, at [mf.freddiemac.com](http://mf.freddiemac.com), the [Multifamily Restricted Vendor List](#). If an Architectural Consultant appears on the Multifamily Restricted Vendor List, the Seller/Service may not use that consultant 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/Services for the sole purpose of ensuring that unacceptable consultants do not prepare construction reports for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.





### 63.3 Pre-construction analysis report (02/27/25)

#### a. Scope of the pre-construction analysis report (06/27/19)

The pre-construction analysis report replaces the standard property condition report for a Forward Commitment and a Mod Rehab Mortgage. However, if a property condition report meeting the requirements of Chapter 62 was completed prior to the engagement of the Architectural Consultant, then the Architectural Consultant may rely on this property condition report in lieu of performing an inspection. The age of the report must be considered as noted in Section 63.1(b).

In order to prepare the pre-construction analysis report, the Architectural Consultant must analyze sufficient construction documentation to understand the scope and quality of the proposed project and to determine the likelihood that the project can be successfully delivered as proposed. The Architectural Consultant or the property condition consultant must make an inspection as required in Section 62.5.

For Forward Commitments that involve rehabilitation and Mod Rehab Mortgages, the Architectural Consultant must analyze the Property in accordance with the requirements of Sections 62.3-62.7. If conflicts exist between these sections and the requirements of this Chapter 63, the requirements of this Chapter 63 will prevail.

If the Forward Commitment is for new construction, then the Architectural Consultant:

- Must include a Replacement Reserve schedule for the life of the loan plus two years, up to a maximum of 12 years (10-year loan term plus two years).
- May make the professional opinion that a site visit is not necessary, and instead may rely on imagery from a reputable and appropriate source that is no more than six months old as of the date of engagement. Examples of existing land uses for which a site visit is not necessary include vacant land, parking lots and, at the consultant's discretion, any land with permanent structures that will not be re-purposed as part of the project.

The pre-construction analysis report must provide the Architectural Consultant's conclusion and recommendations regarding the adequacy and accuracy of the following:

- Functionality, adequacy and completeness of the building design and plans
- Quality, functionality and adequacy of building materials
- Compliance with zoning laws, restrictions and all governmental requirements
- Compliance with the geotechnical engineer's recommendations
- General construction contract(s)
- Reasonableness and adequacy of the projected costs, contingencies and reserves



- Reasonableness of project schedule and budget
- Seismic analysis (if applicable)
- All relevant environmental reports
- The capacity of the developer, contractor and architect to successfully complete the project, and
- Any other issues that might impact the ability of the developer, contractor or architect to successfully complete the project

**b. The Architectural Consultant duties and responsibilities with respect to the pre-construction analysis report (09/30/20)**

The Architectural Consultant must base the pre-construction analysis report on a review and analysis of all applicable pre-construction documentation, including the following:

- Final plans and specifications
- Construction contract
- Construction budget
- Construction schedule
- Development budget
- Development team's qualifications
- Boundary and topographic surveys
- Geotechnical report
- Zoning and utility information
- Permits and other governmental approvals
- Environmental reports
- Seismic risk assessment (SRA), if required, including [Form 1102, Seismic Risk Assessment Summary](#)

If construction has commenced prior to the Origination Date, the Architectural Consultant must provide an independent assessment of all factors as identified in Section 63.4(a).

In addition, the pre-construction analysis report for a Forward Commitment with rehabilitation work or a Mod Rehab Mortgage must:



- Provide a determination of whether all Priority and PR-90 Repairs identified during the property inspection will be appropriately addressed by the proposed scope of work; provide costs for repairs not included in the scope of work
- Discuss the results of any wood-damaging insect inspection reports (e.g., any report on damage by termites, powderpost beetles, carpenter ants, etc.)
- Identify any issues not addressed in the rehabilitation plan that warrant additional investigation, such as structural, roof or electrical work
- Confirm the adequacy of the amount of construction contingency available to complete the rehabilitation
- Provide an evaluation of the remaining economic life of the Property following the completion of the rehabilitation
- Address any functionality and building code issues that may exist if the Property was not originally multifamily housing or if building codes have changed since the original construction
- If applicable, confirm whether the appropriate approvals for historic rehabilitation have been obtained from the Department of the Interior and all local and State authorities

The Architectural Consultant must note significant issues identified in previous construction monitoring reports and state how they were resolved.

For a Mod Rehab Mortgage, the pre-construction analysis report must:

- Provide two replacement reserve tables over the term of the Mortgage:
  - As-is replacement reserve table in accordance with Section 62.6(d)
  - As-stabilized replacement reserve table assuming all rehabilitation has been completed
- Verify the reasonableness of the lease-up schedule compared to the unit delivery schedule

**c. The Seller/Service's duties and responsibilities with respect to the pre-construction analysis report (02/27/25)**

The Seller/Service is responsible for obtaining the pre-construction analysis report and for determining if the report meets Freddie Mac's requirements.

For Forward Commitments that involve rehabilitation work or Mod Rehab Mortgages, the Seller/Service must conduct inspections of the Property that will enable the Seller/Service to evaluate the report findings with respect to the Borrower's scope of work, ensuring that it meets the immediate and near-term needs of the Property.



The Seller/Service must provide the Architectural Consultant with the following documents to review for adequacy and accuracy, and to analyze as part of the pre-construction analysis report:

- Construction budget
- Development budget
- Construction schedule
- Lease-up schedule (verify reasonableness compared to unit delivery schedule)
- Final plans and specifications
- Construction contract
- Development team's qualifications
- All relevant environmental reports
- Building permits and other governmental approvals
- Seismic risk assessment (SRA), if required, including [Form 1102, Seismic Risk Assessment Summary](#)
- Boundary and topographic surveys, if applicable
- Geotechnical report, if applicable
- Zoning and utility information, if applicable
- Anything else that might impact the ability of the Borrower, contractor or architect to successfully complete the project

The Seller/Service must review the pre-construction analysis report to determine whether:

- The report is complete and accurate
- The proposed scope and quality of the improvements reflect the market so that the income projections can be achieved
- The project as proposed will result in an investment quality Property, and
- There are no substantive risks to the timely completion or stabilization of the Property as budgeted

If the Seller/Service identifies any substantive risks to timely completion or stabilization of the Property, the Seller/Service must document such findings and how they were resolved in the applicable underwriting package.



For a Forward Commitment only, the Seller/Service's Chief Architect/Engineer must prepare a narrative summary based on the construction documentation and the pre-construction analysis report and containing all of the following:

- Confirmation that the pre-construction analysis report meets all requirements as noted in this Chapter 63
- Identification and status of all documents reviewed (draft, final, etc.)
- Identification of any missing, incomplete or inadequate information
- A property and site description, including:
  - Adequacy of budget and schedule
  - Environmental issues/resolution
  - Seismic issues/resolution
  - Other outstanding issues/resolution
  - If a substantial rehabilitation of the 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

The following underwriting checklists apply to Forward Commitments:

- [Section 1.30 of Exhibit 1](#) for TAH Cash Mortgages
- [Section 1.32 of Exhibit 1](#) for TAH Bond Credit Enhancement Mortgages

The underwriting checklist for Mod Rehab Mortgages can be found in [Exhibit 1, Section 1.1](#).

## **63.4 Construction monitoring reports (11/01/20)**

### **a. Scope of the construction monitoring reports (05/05/17)**

The Architectural Consultant must prepare the construction monitoring reports. The construction monitoring reports must summarize the Architectural Consultant's findings from each site visit and state whether the project is progressing in a satisfactory manner.

The construction monitoring reports must address the following items, as applicable to the particular scope and circumstances of the construction project:

- Progress of the work completed to date



- Percent of the project completion (both actual work completed and budget spent)
- Compliance with the final plans and specifications (including any material deviations)
- Opinion of the quality of work
- Compliance with construction schedule (including any revisions)
- Analysis of the contractor's application for payment
- Impact of all proposed and approved change orders
- Adequacy of remaining hard cost funds
- Any factors that may delay completion
- Resolution of any identified construction-related problems
- Color photos that are mounted and labeled to indicate the general status of the construction and/or specific areas of concern
- Test results, if applicable
- Materials storage, if applicable

**b. Architectural Consultant duties and responsibilities regarding the construction monitoring reports (02/28/18)**

The Architectural Consultant or the property condition consultant must make periodic site visits to the Property to evaluate the progress, workmanship, budget and other factors. Site visits must be coordinated on a monthly basis with the contractor's submission of payment applications. In connection with these site visits, the Architectural Consultant must review the following documentation:

- Contractor's executed payment application
- Change orders
- Updated project schedule
- Test results, if applicable
- Inspection reports by local building authorities and the architect of record

Following each visit, the Architectural Consultant must summarize the findings in a construction monitoring report in accordance with the requirements in Section 63.4(a) and must provide the Seller/Service with copies of such reports

- On a monthly basis, for Forward Commitments



- With each Disbursement Request, for a Mod Rehab Mortgage (see Section 39.9)

**c. The Seller/Service's duties and responsibilities regarding the construction monitoring reports for Forward Commitments (11/01/20)**

During the construction phase, the Seller/Service must monitor the progress of construction and notify Freddie Mac of any material issues.

Project progress, including lease-up schedules, must be reported using [Form 5150](#). This form must be completed in its entirety and only reflect active deals; any deals that have converted or have broken their Forward Commitment should be removed.

[Form 5150](#) is due by the 25<sup>th</sup> of each month and must be updated with the most current information received through the end of each preceding month. Once completed, [Form 5150](#) must be emailed to [Forward\\_Commitment\\_Monitoring@freddiemac.com](mailto:Forward_Commitment_Monitoring@freddiemac.com).

The Seller/Service must maintain the construction monitoring reports in the Mortgage File, review them to determine if the reports are complete and accurate and, using professional judgment, evaluate whether the construction project has or may have problems that could:

- Create risks that negatively affect successful completion and stabilization
- Have an adverse effect on project scope or quality
- Result in a request to extend the Forward Commitment, or
- Create risk beyond that of other construction projects that the Seller/Service has monitored

The Seller/Service must review all change orders and the Seller/Service's Chief Architect/Engineer must review all material change orders to ensure that the revisions do not negatively impact the:

- Developer's ability to complete the project as initially presented during underwriting
- Scope or quality of the construction
- Marketability of the project
- Ongoing operational costs of the Property

A material change order involves any change that:

- Contains one or more single line items that reduce the construction contract by more than \$100,000 or two percent of total construction costs, whichever is less, or
- Significantly affects the scope or quality of the Property, its marketability, income potential or long-term viability





**d. The Servicer's duties and responsibilities regarding the construction monitoring reports for Mod Rehab Mortgages (05/05/17)**

During the construction phase, the Servicer must monitor the progress of construction and notify Freddie Mac of any material issues. The Servicer must review all monitoring reports and work to resolve any outstanding issues identified in the reports.

The Servicer must review all change orders to ensure that the revisions do not negatively impact the:

- Developer's ability to complete the project as initially presented during underwriting
- Scope or quality of the construction
- Marketability of the project
- Ongoing operational costs of the Property

See Section 39.9 for a description of additional Servicer responsibilities during renovation.

**63.5 Post-construction analysis report (09/30/20)**

**a. Scope of the post-construction analysis report (09/30/20)**

The post-construction analysis report must include the results of a property inspection meeting the requirements of Sections 62.3 through 62.7 and a narrative evaluation completed by the Architectural Consultant. In addition, it must include a certification that all of the following is true:

- The project was completed substantially in conformance with the plans and specifications included in the full underwriting package submitted to Freddie Mac prior to the issuance of the commitment
- The quality and workmanship is acceptable
- The project is substantially in compliance with all applicable federal, State and local laws, ordinances and codes related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters and fire safety
- Certificates of occupancy and any other required permits were issued
- Either no deferred maintenance or life safety hazards were observed; or, if such observations are made, identification of the cost to cure each deferred maintenance or life safety hazard
- For a Forward Commitment, the pre-construction reserve analysis is still valid, or an updated reserve table has been provided



All relevant documentation must be attached to the post-construction analysis report, including, but not limited to:

- Architect's certificate of substantial completion
- Final punch list from the architect of record or confirmation from the architect of record that all punch list items have been completed
- 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, and
- 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)

**b. Architectural Consultant duties and responsibilities regarding the post-construction analysis report (05/05/17)**

For a Forward Commitment, once the Borrower has provided all of the construction completion documentation and no more than six months prior to the Conversion, the Architectural Consultant must inspect the Property and submit to the Seller/Servicer a post-construction analysis report in accordance with the requirements of Section 63.5(a).

For a Mod Rehab Mortgage, once the Borrower has provided all of the construction completion documentation, the Architectural Consultant must inspect the Property upon completion, and, within two weeks of receipt of all construction completion documentation, must submit to the Seller/Servicer a post-construction analysis report in accordance with the requirements of Section 63.5(a).

**c. The Seller/Servicer's duties and responsibilities regarding the post-construction analysis report (05/05/17)**

The Seller/Servicer must review the Architectural Consultant's post-construction analysis report and ensure that it is accurate and meets the requirements of Section 63.5(a).

The Seller/Servicer may also review the final construction reports of the construction lender, the architect of record and governmental inspectors. However, the Seller/Servicer must make its own assessment of the Property and market, and provide written documentation of its findings using the [Property Inspection and Lease Audit form](#), available at [mf.freddiemac.com/lenders/guide](http://mf.freddiemac.com/lenders/guide). In the underwriting package, the Seller/Servicer must



document all of the following:

- The impact of all change orders, as defined in Section 63.4(c)
- Any material findings from the construction monitoring reports and how they were resolved
- Any unusual risks with the Property or its operations

For a Forward Commitment, the Seller/Servicer's Chief Architect/Engineer must provide a summary analysis indicating that the finished project has been completed, lien-free and in accordance with all appropriate governmental requirements, substantially in accordance with the plans and specifications reviewed at the issuance of the Forward Commitment.

For a Forward Commitment, the Seller/Servicer must submit the post-construction analysis report, the construction completion documents and the summary analysis to Freddie Mac as specified in [Section 1.31 of Exhibit 1](#) for a transaction under the Targeted Affordable Housing Cash Forward Commitment Program, or [Section 1.33 of Exhibit 1](#) for a transaction under the Multifamily Targeted Affordable Housing Bond Credit Enhancement Forward Commitment Program. For additional information regarding the construction completion documents, see Section 55.2.

## **63.6 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the representations and warranties regarding the other third-party reports and the construction reports set forth in Section 5.4.

# Multifamily Seller/Service Guide

## Chapter 64

### Seismic Risk Assessment Requirements



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- 64.2 [Determining whether an SRA is required \(12/15/22\)](#)
  - a. [Use of the Elevated Seismic Hazard Region Map \(09/25/15\)](#)
  - b. [Determining whether a Property is located in an Elevated Seismic Hazard Region \(12/15/22\)](#)
  - c. [Seismic risk factors for Properties located in an Elevated Seismic Hazard Region \(12/15/22\)](#)
- 64.3 [Specific Seller/Service duties and responsibilities \(06/29/17\)](#)
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- 64.11 [Form 1102, Seismic Risk Assessment Summary for a Level 1 SRA \(12/15/22\)](#)
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## 64.1 General requirements (12/15/22)

Seismic Risk Assessment (SRA) requirements for SBL Mortgages are found in Chapter 64SBL.

This chapter sets forth the requirements, duties and responsibilities of the Seller/Servicer and the seismic risk consultant to evaluate seismic risk at the Property. For the purposes of this chapter, the seismic risk consultant will be referred to as the “Consultant”, and “Elevated Seismic Hazard Region” is as defined in Section 64.2(a).

References in this chapter to ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a will include any successor ASTM Standard. A Level 1 seismic investigation (Level.1 SRA) as referenced in this chapter, is defined per Sections 4 and 5 of the ASTM Standard Guide E2026-16a. A Level 0 seismic investigation (Level.0 SRA) as referenced in this chapter, is defined per Section 4 and 5 of the ASTM Standard Guide E2026-16a.

If the Property is located in an Elevated Seismic Hazard Region, an SRA is required; the presence or absence of the seismic risk factors specified in Section 64.2(c) will determine whether a Level 0 or a Level 1 SRA is needed.

If a Level 1 SRA is required, then the Consultant must complete and submit [Form 1102, Seismic Risk Assessment Summary](#), with each SRA.

The seismic risk factors in Section 64.2(c) are also included in Section I of [Form 1105, Property Condition Assessment](#). The property condition consultant is required to evaluate these seismic risk factors when preparing the property condition report, as described in Section 62.4.

For the purposes of this chapter, the term Scenario Expected Loss-475 (SEL-475) is used instead of the older term Probable Maximum Loss (PML). The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. See Section 64.8 for additional information regarding the determination of the SEL-475.

## 64.2 Determining whether an SRA is required (12/15/22)

### a. Use of the Elevated Seismic Hazard Region Map (09/25/15)

The Elevated Seismic Hazard Regions are highlighted on the [Elevated Seismic Hazard Region Map](#). After examining the map, if the Seller/Servicer conclusively determines that the Property is not located in an Elevated Seismic Hazard Region no seismic risk documentation is required.

If the Seller/Servicer determines that the Property is located in an Elevated Seismic Hazard Region highlighted on the map, or if the Seller/Servicer is not sure whether the Property is located in an Elevated Seismic Hazard Region highlighted on the map, the Seller/Servicer must make its determination as to whether the Property is located in an Elevated Seismic Hazard Region following the procedure set forth in Section 64.2(b).



**b. Determining whether a Property is located in an Elevated Seismic Hazard Region (12/15/22)**

An “Elevated Seismic Hazard Region” is defined as a geographic location with a horizontal Peak Ground Acceleration (PGA) equal to or greater than 0.15g. For Properties located in the continental United States, the PGA must be calculated using the [United States Geological Survey \(USGS\) website](#).

For any Property located in Hawaii, Alaska (limited to within 100 miles of the city of Anchorage or the Gulf of Alaska), or one of the U.S. territories, the Seller/Servicer must assume that the PGA is greater than 0.15g, and an SRA is required. For areas of Alaska outside the delineated area, the Seller/Servicer can assume a PGA of less than 0.15g, and therefore an SRA is not required.

For areas that require a PGA calculation, the Seller/Servicer must enter or select the input values into the tool found on the USGS website as identified in the table below. An example of the use of the tool, using the address of the Freddie Mac Los Angeles office at 444 South Flower Street, can be found at [mf.freddiemac.com/lenders/uw](#). The example includes instructions on saving the data in PDF format for submission to Freddie Mac.

Data Element	Input
Edition	Dynamic: Conterminous U.S. 2014 (latest release), Alaska, Hawaii
Spectral Period	Peak Ground Acceleration (PGA)
Location	Generate the latitude/longitude using the “choose location using a map” feature to enter an address
Time Horizon/Earthquake Return Period	10% in 50 years (475 years)
Site Class*	<ul style="list-style-type: none"> <li>259 m/s (site class D) for properties located in CA, NV, OR, WA</li> <li>760 m/s (B/C boundary) for all other locations</li> </ul>

**\* The site class must be adjusted as indicated in the table above, unless the Consultant justifies an alternate soil classification value and provides documentation.**

If the PGA is less than 0.15g, an SRA is not required.

If the PGA is equal to or greater than 0.15g, then the Property is located in an Elevated Seismic Risk Region and an SRA is required. The Seller/Servicer must

- Obtain an SRA meeting the requirements of this Chapter 64 (see Section 64.2(c) to determine whether a Level 0 or Level 1 SRA is required)
- Upload the PDF obtained as output from the USGS website into DMS and submit the SRA and the PDF to Freddie Mac in the applicable underwriting package as the required seismic risk documentation



- Evaluate the Property for the seismic risk factors listed in Section 64.2(c)

**c. Seismic risk factors for Properties located in an Elevated Seismic Hazard Region (12/15/22)**

This section does not apply to a Mortgage secured by an MHC Property. See Section 22.7(a) for seismic risk factors that the Seller/Service must evaluate for Manufactured Housing Communities.

If the Property is located in an Elevated Seismic Hazard Region, the Seller/Service must evaluate the Property for the following seismic risk factors:

1. A building located within 50 feet of a mapped earthquake fault trace or located within an Alquist-Priolo Earthquake Fault Zone (APEFZ) in California, as defined by the Alquist-Priolo Earthquake Fault Zoning Act of 1972.

For Properties located in an APEFZ in California, the Seller/Service and Consultant must provide evidence of whether surface fault rupture may damage the building(s) on the site through a prior engineering geology fault rupture hazard study. If a prior study was not completed, a desktop engineering geology fault rupture hazard study (no subsurface investigation required) must be prepared by a qualified, licensed engineering geologist or geotechnical engineer.

2. All of the following building construction types:
  - a. Buildings with a weak or soft story (as defined by the International Building Code) at any floor level
  - b. Buildings constructed with direct contact to adjacent buildings, including adjacent buildings that are part of the same Property, as well as those in contact with buildings on a separate property (this does not include buildings that are a continuous structure with fire separation walls)
  - c. Buildings that have sustained previous structural earthquake damage with documented evidence of damage and repairs
  - d. High-rise buildings (8-stories or greater above grade)
3. Reinforced concrete buildings constructed prior to 2000, including cast-in-place and precast structures
4. Reinforced concrete masonry (CMU) bearing wall buildings constructed prior to 2000
5. Retrofitted, unreinforced masonry (URM) buildings
6. Non-retrofitted URM buildings (SRA report shall provide discussion of typical retrofit schemes and budget estimates for consideration)
7. Wood-framed buildings:





- a. Buildings that exhibit conspicuous physical deterioration (e.g., water damage, dry rot, corrosion, physical distress) to the primary lateral load resisting elements (e.g., shear walls, roof and floor construction, sill plates, foundation elements and anchorage, structural steel frames, concrete walls and frames)
  - b. Buildings constructed prior to 1960
  - c. Buildings constructed prior to 2000, with ground-level parking under dwelling units (referred to as “tuck-under parking”), or commercial retail units under dwelling units, regardless of retrofit
8. Buildings with wood-frame construction over a concrete podium structure constructed prior to 2000

If none of the seismic risk factors listed above are present at the Property, a Level 0 SRA is required. If any one of the above seismic risk factors is present at the Property, or if the Seller/Service cannot conclusively determine that none of the seismic risk factors are present at the Property, a Level 1 SRA is required.

### 64.3 Specific Seller/Service duties and responsibilities (06/29/17)

This section does not apply to a Mortgage secured by an MHC Property. See Section 22.7(b) for the Seller/Service duties and responsibilities for Manufactured Housing Communities.

The Seller/Service's responsibilities are to

- Retain and direct the Consultant when a Level 1 SRA is required

The Seller/Service must review and verify the Consultant's credentials, licensing, certifications, memberships and affiliations. For new Consultants, the Seller must check at least three references from lenders who have retained or employed the Consultant to sufficiently evaluate the Consultant's capabilities and performance. The Seller must maintain a separate seismic risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each Consultant's performance, as well as the Consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the Consultant, but the Borrower may be responsible for paying the costs of all SRA services.

- Provide information identified in Section 64.6 to the Consultant
- Obtain a Level 0 or Level 1 SRA for the Property, when required, and review the SRA to
  - Ensure that it complies with Freddie Mac's requirements
  - Verify that conclusive recommendations are provided for all identified issues
- Disclose to Freddie Mac any seismic risks identified in the SRA as well as any insurance required by Section 64.14



#### 64.4 Level 0 SRA requirements (12/15/22)

The Level 0 SRA must:

- Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac
- Clearly state any limiting conditions and the intended purpose of the report
- Be conducted in accordance with the ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide
- Use an industry accepted loss estimation methodology that is peer-reviewable
- Include reporting of the damage ratio with an exceedance probability corresponding to a 475-year return period earthquake

#### 64.5 Level 1 SRA requirements (12/15/22)

The Level 1 SRA must:

- Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac
- Clearly state any limiting conditions and the intended purpose of the report
- Identify any Assessor qualification deviations from the Guide requirements, ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a
- Be conducted in accordance with the ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide
- Use an industry accepted loss estimation methodology that is peer reviewable
- Include reporting of the damage ratio with an exceedance probability corresponding to a 475-year return period earthquake

Freddie Mac may require that the Level 1 SRA be updated if it is dated more than six months prior to the issuance date for the Letter of Commitment or Acceptance Letter or Modification Letter, as applicable, for an early rate-lock application.

The Consultant who prepares the Level 1 SRA must meet the qualifications and requirements stated in Section 64.12. The Consultant must review pertinent information and records in accordance with Section 64.6. Each Level 1 SRA must include information disclosed by an inspection of the Property's structural components.

At initial submission of the full underwriting package to Freddie Mac, the site inspection supporting the Level 1 SRA must be dated within 30 days prior to the date of the Level 1 SRA. This inspection and the report documentation must meet the requirements of Sections 64.7 through 64.9. In addition, the Consultant must complete [Form 1102, Seismic Risk Assessment Summary](#).



as described in Section 64.11 and include the form as part of the seismic risk documentation submitted in the underwriting package.

The Seller/Servicer must direct the Consultant to include the following language in the Level 1 SRA:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
  - any initial purchaser or subsequent holder of such debt and/or securities;
  - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
  - any indenture trustee;
  - any rating agency; and
  - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

#### **64.6 Data collection and records inquiry for the Level 1 SRA (09/30/13)**

The Consultant must review all available information that would reveal the characteristics and current condition of the site and structural systems at the Property, including any seismic damage assessments. The Consultant should review such documents for informational purposes only and



is not required to comment on their procedures, protocol, conclusions, or recommendations unless in conflict with the Consultant's findings. The Consultant should only utilize such information in formulating recommendations or conclusions if such documents appear reasonably accurate. The Seller/Service must ensure that all such information is provided to the Consultant before the Consultant inspects the Property.

The Level 1 SRA must identify the information the Consultant reviewed and the contacts that were consulted.

At a minimum the following must be reviewed (as applicable) and incorporated into the SRA report:

- **As-Built Construction Documents** – Review of as-built documentation may be limited to structural information such as the type of framing material, strength of concrete or steel, type of column-to-beam connections, composition of shear walls, quantity of reinforcing bars, symmetry of building configuration, transference of loads to the substructure, nature of the substructure, and nature of the soils.
- **Documents for Planned Construction** – Review of documentation for planned construction at the Property, such as seismic retrofit or renovation work, that will likely affect the performance and damageability of the Property during a seismic event.
- **Soils Reports** – Review of available geotechnical information and comment on the soil type, geotechnical features and the potential for soil liquefaction, ground fault rupture, and landslides.
- **Building Information** – Identification of the building type and any federal, State or local law, ordinance or code under which it was designed.
- **Active Earthquake Faults** – Identification of any active faults in the region that may affect the Property, and report on their maximum credible magnitude potential.
- **Secondary Earthquake Hazards** – Identification of secondary, site-specific hazards such as soil liquefaction, earthquake-induced landslides, and tsunamis or seiches.

#### 64.7 Inspection requirements for the Level 1 SRA (12/15/22)

The Consultant must perform a complete inspection of the exterior and interior of the Property's components and systems that are visible and accessible. This is generally a non-intrusive survey, but the Consultant must make a reasonable attempt at discovery. This inspection must document the building characteristics, any substantive inconsistencies between the field conditions and as-built documents, and any deficiencies in the structural systems. The Consultant must also document the sufficiency of non-structural elements including natural gas seismic shut-off valves, bracing and anchorage of secondary building systems, such as mechanical equipment and ceilings. The Consultant must provide photographic documentation that characterizes the Property's overall construction and configuration and that identifies specific vulnerabilities or signs of physical distress.



## 64.8 Seismic loss estimation requirements for the Level 1 SRA (12/15/22)

Based on the records submitted, site observations, and empirical data available through peer-reviewable data systems, the Consultant must render an opinion, in conformance with the ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a, of both the Scenario Expected Loss (SEL) and Scenario Upper Loss (SUL) as a percentage of the current building replacement cost. The SEL and SUL must be determined using the earthquake with a 10 percent probability of exceedance in 50 years (a.k.a. 475-year return period earthquake). The SEL and SUL based on the 10 percent probability of exceedance in 50 years (475-year return period earthquake) will be referred to as the SEL-475 and SUL-475 within this Guide. The Consultant must include, as applicable, a general description of the anticipated damage to the structure and its expected life safety and building stability performance as a result of these scenario losses. The Consultant's method for calculating seismic loss estimates must be peer-reviewable, with all input, engineering assumptions and output documented in the report for third-party review.

For Properties where multiple building construction types are present (for example: buildings with tuck-under parking vs. buildings without tuck-under parking; garden-style buildings vs. high-rise buildings; linear buildings vs. L-shaped buildings), the Consultant must provide the SEL-475 and SUL-475 for each building construction type.

For additional information on evaluating the SEL-475 to determine the need for earthquake insurance or a seismic retrofit, see Section 64.14.

## 64.9 Report content for the Level 1 SRA (12/15/16)

The Consultant must include the findings from the Consultant's records review, site observations, and interpretation of data in a written report containing the following elements:

- **Cover Page** – must include the Property's name and address, report date, the client's name, address, and phone number, and the Consultant's name, address and phone number.
- **Certification Memo** – must include the Property's name and location, report date, reliance language, confirmation that the report meets ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide, identification of the field and office personnel responsible for the report, and the signature of the reviewer. Any deviations from the ASTM Standard Guide E2026-16a must be identified in the Certification Memo.
- **Executive Summary** – must include the following:
  - All salient information about the buildings at the Property, such as their location, use, size, age, construction type, and design style.
  - Summary of the findings of the analysis including a description of the general condition of the Property.
  - Specific areas of concern.
  - The SEL-475 and SUL-475 as a percentage damage ratio, and the peak ground acceleration motions and the approximate Modified Mercalli scale intensity at the site.



- Recommendations for further action or investigation as appropriate. If the Property is not expected to meet life safety and building stability performance standards as a result of the scenario losses considered, then the Consultant must include conceptual retrofit techniques that would achieve these performance levels.
- **Purpose & Scope** – must state the purpose of the engagement, including an outline of the scope of work, the methods used to conduct the survey, a statement describing any limitations or exceptions to the scope of work, and reasons for any deletions or additions to the scope of work.
- **Survey Approach** – must provide a short description of the methodology used to conduct the survey and arrive at the conclusions. Include the specific method used to arrive at the SEL-475 and SUL-475, the sources of the empirical data and proprietary systems, the level of documentation reviewed, the procedures used during the site observations, and the methods used to determine the building stability.
- **Site Characteristics** – must list and discuss the following:
  - Property location
  - Site and vicinity characteristics
  - Current use of the Property
  - Soil data source (e.g., geotechnical report, regional online data)
  - Soil type (engineering classification)
  - Liquefaction potential (classified Very Low, Low, Moderate, High, Very High)
  - Landslide potential (classified Very Low, Low, Moderate, High, Very High)
  - Ground fault rupture potential
  - Site map with aerial imagery, where available
- **Building Characterization** – must list and discuss the following:
  - Construction classification (e.g., wood-framed, concrete, steel, masonry)
  - Number of stories
  - Year designed
  - Year constructed
  - Year renovated/upgraded
  - Structural irregularities



- Geometric irregularities
- Mass irregularities
- Structural system redundancy
- Overall construction quality
- **Site Observations** – must list and discuss property specific issues observed during the inspection. This must include a detailed appendix, as described below
- **Seismic Characteristics of Area** – must list and discuss the following:
  - Most potentially damaging faults in the area of the Property (within a 50-mile radius)
  - Maximum theoretical magnitude of an earthquake at that fault
  - Approximate distance from the most potentially damaging fault
  - Anticipated 475-year ground motion at the Property
- **Building Stability** – must be evaluated in accordance with ASTM Standard Guide E2026-16a, using the earthquake ground motion prescribed in the current edition of the International Building Code or other nationally applicable building code. Any stability concerns must be highlighted in [Form 1102](#). Use of the 475-year ground motion used to calculate the SEL-475 is not appropriate for the building stability determination.
- **Site Seismicity and Scenario Loss** – must state the Consultant's opinion in accordance with ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a of the SEL-475 and the SUL-475 as a percentage of the current building replacement cost as a result of this analysis.
- **Appendices** – must include the following, at a minimum:
  - Qualifications - Professional resumes for all participating qualified professionals, including the Field Assessor, Report Author, and Senior Assessor as applicable
  - Photographs - Photos specific to the seismic assessment that document the Property's structural systems and identify seismic vulnerabilities and disrepair that relate to the calculation of the seismic loss estimates
  - Site Plan - must clearly label the Property, each building, and the location of specific seismic vulnerabilities as identified in the report
- [Form 1102, Seismic Risk Assessment Summary](#) – must be completed in its entirety

#### 64.10 Acceptability of the Level 1 SRA (04/30/13)

The Level 1 SRA must be acceptable to Freddie Mac. Upon Freddie Mac's review of the completed SRA, Freddie Mac may impose additional requirements.





#### 64.11 Form 1102, Seismic Risk Assessment Summary for a Level 1 SRA (12/15/22)

The Consultant must complete and sign [Form 1102](#). Below is a description of each section:

- **PGA Determination** – provide the PGA as determined using the formula found in Section 64.2(b)
- **Deviations to the Field Assessor's Qualifications** – if the Senior Assessor has determined that a Field Assessor who does not meet the minimum qualifications in Section 64.12(a) is acceptable, the Senior Assessor will provide a justification, subject to approval by Freddie Mac
- **Building Stability** – summarize the details regarding any building stability concerns, along with any recommendations as applicable (e.g., further engineering review, retrofit recommendations)
- **SEL-475** – for Properties with a single construction type, provide a single SEL-475. For Properties in which multiple building types are present, provide a building address/identification, brief description of each building type and its corresponding SEL-475, and, when prompted, identify if the building type in question has stability concerns

#### 64.12 Level 1 SRA Consultant qualifications and requirements (12/15/16)

Consultants who conduct the on-site inspections and complete the Level 1 SRA reports must meet the qualifications and requirements specified in this section.

Because Freddie Mac does not approve Consultants, the Seller/Servicer must not consider any representation that a Consultant is approved or qualified by Freddie Mac to perform Level 1 SRAs. The Seller/Servicer is responsible for selecting the Consultant and is solely accountable for the Consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.

##### a. References and experience (12/15/16)

The consulting company providing Level 1 SRA reports must meet the following minimum requirements:

- A staff of qualified professionals
- The ability to rapidly assess sites in all Elevated Seismic Hazard Regions of the United States
- A significant track record completing seismic reports for commercial real estate investors
- Experience working within the commercial mortgage securitization markets and rating agencies
- A well-developed production infrastructure and documented quality control procedures



The Consultant responsible for conducting the on-site inspection must meet the qualifications of either a Field Assessor or Senior Assessor, as defined in the ASTM Standard Guide E2026-16a Section 6.2.3, and as noted below.

The minimum qualifications for the Senior Assessor are:

- Licensed to practice civil or structural engineering
- 10 years of experience of general structural engineering of buildings
- Five years of experience of seismic design and analysis experience of buildings
- Three years of experience of seismic risk assessment of buildings

The minimum qualifications for a Field Assessor are:

- Licensed to practice civil or structural engineering
- Five years of experience of general structural engineering of buildings
- Three years of experience of seismic design and analysis experience of buildings
- Two years of experience of seismic risk assessment of buildings

In accordance with ASTM Standard Guide E2026-16a Section 6.2.3.4 the Senior Assessor will be responsible for determining the acceptable level of qualifications for the assessment and will be accountable for all elements of the Level 1 SRA. Pursuant to this Section, the Senior Assessor may determine that a Field Assessor who does not meet the minimum qualifications is acceptable. Freddie Mac will consider approval of a deviation of the Field Assessor qualifications under the following scenarios:

- Original construction and/or seismic retrofit structural drawings are provided for review by the Field Assessor and/or Senior Assessor prior to the assessment, or
- The building(s) were designed and constructed in accordance with a Benchmark Building Code, or subsequent edition, as defined by American Society of Civil Engineers (ASCE) national standard ASCE 41-13, Chapter 4, Table 4-6, or
- The buildings on the Property are determined by the Senior Assessor to have sufficiently simple configuration and no irregularities (such as tuck-under parking) that would promote undesirable seismic behavior that may result in structural instability or elevated building damageability.

The Senior Assessor must provide clear and concise justification for any deviations from the Field Assessor qualifications in [Form 1102](#) and in the Certification Memo of the Level 1 SRA per Section 64.9.

A Level 1 SRA must be written by a Consultant that meets the qualifications of a Field Assessor or Senior Assessor and must be reviewed and signed by a Consultant meeting the qualifications of a Senior Assessor. The qualifications of all professionals must be attached



to the report and are subject to review by the Seller/Servicer and Freddie Mac.

All Consultants with a professional engineering designation must have a valid and current license issued by one of the following States: Alaska, California, Washington, Oregon, Nevada, Utah, Hawaii, and Tennessee.

See Section 64.3 for specific Seller/Servicer duties and responsibilities for retaining and directing a Consultant when a Level 1 SRA is required.

**b. Conflicts of interest/provision of related services (04/30/13)**

The Consultant may not be affiliated with the Borrower, the Seller/Servicer, a buyer or seller of the Property, or engaged in any business that might present a conflict of interest.

**c. Insurance (06/30/16)**

The Seller/Servicer must obtain from each Consultant an original certificate(s) of liability insurance that indicates that the Consultant is covered by insurance meeting the requirements of Section 11.5. The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

**d. Unacceptable Consultants (04/30/13)**

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* or to the *Multifamily TAH Underwriter*, as applicable, if the Seller/Servicer, for cause, discontinues the use of a Consultant who has completed Level 1 SRAs within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac.

In addition, Freddie Mac reserves the right to refuse to accept Level 1 SRAs completed by any Consultant. Freddie Mac will maintain, at [mf.freddiemac.com](http://mf.freddiemac.com), the [Multifamily Restricted Vendor List](#). If a Consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Consultant to complete a Level 1 SRA for a Property until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable Consultants do not prepare reports for Freddie Mac and will constitute "Confidential Information" as defined in Section 2.8.

**64.13 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the representations and warranties regarding the Consultant and Level 1 SRA set forth in Section 5.4.

**64.14 Evaluation of the SRA results (09/30/20)**

Retrofit and seismic insurance requirements are based on the results from the SRA. The following table summarizes the requirements based on the report findings:



SEL-475	Building Stability Concern	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% and ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

If the Property will undergo seismic retrofit, the retrofit will be a Priority Repair. The Borrower must establish a Repair Reserve of at least 125 percent of the estimated cost to make the required modifications, and the retrofit must be completed within 12 months after the Origination Date.

See Section 31.9(b)(3)(b) for information on requesting Freddie Mac approval to discontinue earthquake coverage after the Property undergoes seismic retrofit.

See Section 64.8 for detailed information on determining the SEL-475 to document in the SRA.

# Multifamily Seller/Service Guide

## Chapter 64SBL

### SBL Seismic Risk Assessment Requirements



- 64SBL.1 [General requirements \(12/15/22\)](#)
- 64SBL.2 [Determining whether a Level 1 SRA is required \(10/12/17\)](#)
  - a. [Use of the Elevated Seismic Hazard Region Map \(06/30/16\)](#)
  - b. [Determining whether a Property is located in an Elevated Seismic Hazard Region \(12/15/22\)](#)
  - c. [Seismic risk factors for Properties located in an Elevated Seismic Hazard Region \(12/15/22\)](#)
- 64SBL.3 [Specific Seller/Service duties and responsibilities \(06/30/16\)](#)
- 64SBL.4 [Reserved \(06/30/16\)](#)
- 64SBL.5 [Level 1 SRA requirements \(12/15/22\)](#)
- 64SBL.6 [Data collection and records inquiry for the Level 1 SRA \(06/30/16\)](#)
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- 64SBL.9 [Report content for the Level 1 SRA \(12/15/16\)](#)
- 64SBL.10 [Acceptability of the Level 1 SRA \(06/30/16\)](#)
- 64SBL.11 [Form 1102, Seismic Risk Assessment Summary for a Level 1 SRA \(12/15/22\)](#)
- 64SBL.12 [Level 1 SRA Consultant qualifications and requirements \(12/15/16\)](#)
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  - d. [Unacceptable Consultants \(06/30/16\)](#)
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- 64SBL.14 [Evaluation of the SRA results \(09/30/20\)](#)



## 64SBL.1 General requirements (12/15/22)

This chapter sets forth the requirements, duties and responsibilities of the Seller/Servicer and the seismic risk consultant to evaluate seismic risk at the Property for Mortgages purchased under the SBL Purchase Product. For the purposes of this chapter, the seismic risk consultant will be referred to as the “Consultant”, and “Elevated Seismic Hazard Region” is as defined in Section 64SBL.2(a).

References in this chapter to ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a will include any successor ASTM Standard. A Level 1 seismic investigation (Level 1 SRA) as referenced in this chapter, is defined per Sections 4 and 5 of the ASTM Standard Guide E2026-16a.

A Level 1 SRA is required for a Property that is located in an Elevated Seismic Hazard Region, as defined in Section 64SBL.2(a), and that exhibits any of the seismic risk factors identified in Section 64SBL.2(c).

If a Level 1 SRA is required, then the Consultant must complete and submit [Form 1102, Seismic Risk Assessment Summary](#), with each SRA.

The seismic risk factors in Section 64SBL.2(c) are also included in Section III of [Form 1104, SBL Physical Risk Report](#). The physical risk consultant is required to evaluate these seismic risk factors when preparing the SBL Physical Risk Report, as described in Section 62SBL.4.

If the Property is not located in an Elevated Seismic Hazard Region, an SRA is not required. If the Property is located in an Elevated Seismic Hazard Region, and it is determined that the seismic risk factors in Section 64SBL.2(c) are not present at the Property, an SRA is not required.

For the purposes of this chapter, the term Scenario Expected Loss-475 (SEL-475) is used instead of the older term Probable Maximum Loss (PML). The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. See Section 64SBL.8 for additional information regarding the determination of the SEL-475.

## 64SBL.2 Determining whether a Level 1 SRA is required (12/15/22)

### a. Use of the Elevated Seismic Hazard Region Map (06/30/16)

The Elevated Seismic Hazard Regions are highlighted on the [Elevated Seismic Hazard Region Map](#). After examining the map, if the Seller/Servicer conclusively determines that the Property is not located in an Elevated Seismic Hazard Region no seismic risk documentation is required.

If the Seller/Servicer determines that the Property is located in an Elevated Seismic Hazard Region highlighted on the map, or if the Seller/Servicer is not sure whether the Property is located in an Elevated Seismic Hazard Region highlighted on the map, the Seller/Servicer must make its determination as to whether the Property is located in an Elevated Seismic Hazard Region following the procedure set forth in Section 64SBL.2(b).



**b. Determining whether a Property is located in an Elevated Seismic Hazard Region (12/15/22)**

An “Elevated Seismic Hazard Region” is defined as a geographic location with a horizontal Peak Ground Acceleration (PGA) equal to or greater than 0.15g. For Properties located in the continental United States, the PGA must be calculated using [the United States Geological Survey \(USGS\) website](#).

For any Property located in Hawaii, Alaska (limited to within 100 miles of the city of Anchorage or the Gulf of Alaska), or one of the U.S. territories, the Seller/Service must assume that the PGA is greater than 0.15g, and an SRA is required, pursuant to the presence of the risk factors noted in Section 64SBL.2(c). For areas of Alaska outside the delineated area, the Seller/Service can assume a PGA of less than 0.15g, and therefore an SRA is not required.

For areas that require a PGA calculation, the Seller/Service must enter or select the input values into the tool found on the USGS website as identified in the table below. An example of the use of the tool, using the address of the Freddie Mac Los Angeles office at 444 South Flower Street, can be found [at mf.freddiemac.com/lenders/uw](#). This example includes instructions on saving the data in PDF format for submission to Freddie Mac.

Data Element	Input
Edition	Dynamic: Conterminous U.S. 2014 (latest release), Alaska, Hawaii
Spectral Period	Peak Ground Acceleration (PGA)
Location	Generate the latitude/longitude using the “choose location using a map” feature to enter an address
Time Horizon/Earthquake Return Period	10% in 50 years (475 years)
Site Class*	<ul style="list-style-type: none"> <li>259 m/s (site class D) for properties located in CA, NV, OR, WA</li> <li>760 (B/C boundary) for all other locations</li> </ul>

**\* The site class must be adjusted as indicated in the table above, unless the Consultant justifies an alternate soil classification value and provides documentation.**

If the PGA is less than 0.15g, an SRA is not required.

If the PGA is equal to or greater than 0.15g, then the Property is located in an Elevated Seismic Hazard Region and the Seller/Service must evaluate the Property for the risk factors specified in Section 64SBL.2(c). If none of the seismic risk factors are present at the Property, no SRA is required.

If the PGA is equal to or greater than 0.15g, and any one of the risk factors listed in Section 64SBL.2(c) is present at the Property, or if the Seller/Service cannot conclusively

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determine that none of the risk factors are present at the Property, a Level 1 SRA is required. The Seller/Servicer must

- Obtain an SRA meeting the requirements of this Chapter 64SBL
- Upload the PDF obtained as output from the USGS website into DMS and submit the Level 1 SRA and the PDF to Freddie Mac in the applicable underwriting package as the required seismic risk documentation

**c. Seismic risk factors for Properties located in an Elevated Seismic Hazard Region (12/15/22)**

If the Property is located in an Elevated Seismic Hazard Region, as part of the property inspection described in Section 8SBL.15, the Seller/Servicer must evaluate the Property for the following seismic risk factors:

- Properties with residential units above ground floor commercial, retail or tuck-under parking that has either a construction date prior to 2000 as reported in the assessor's record, or a certificate of occupancy issued prior to 2000
- Wood framed buildings built prior to 1960
- Reinforced concrete masonry (CMU) bearing wall buildings constructed prior to 2000
- Unreinforced masonry construction, regardless of retrofit
- Properties required to undergo a seismic retrofit by any local or State authority

**64SBL.3 Specific Seller/Servicer duties and responsibilities (06/30/16)**

The Seller/Servicer's responsibilities are to

- Retain and direct the Consultant when a Level 1 SRA is required

The Seller/Servicer must review and verify the Consultant's credentials, licensing, certifications, memberships and affiliations. For new Consultants, the Seller must check at least three references from lenders who have retained or employed the Consultant to sufficiently evaluate the Consultant's capabilities and performance. The Seller must maintain a separate seismic risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each Consultant's performance, as well as the Consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the Consultant, but the Borrower may be responsible for paying the costs of all SRA services.

- Provide information identified in Section 64SBL.6 to the Consultant
- Obtain a Level 1 SRA for the Property, when required, and review the SRA to



- Ensure that it complies with Freddie Mac's requirements
- Verify that conclusive recommendations are provided for all identified issues
- Disclose to Freddie Mac any seismic risks identified in the SRA as well as any insurance required by Section 64SBL.14

#### **64SBL.4 Reserved (06/30/16)**

#### **64SBL.5 Level 1 SRA requirements (12/15/22)**

The Level 1 SRA must:

- Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac
- Clearly state any limiting conditions and the intended purpose of the report
- Identify deviations from the Guide requirements, including Assessor qualifications, ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a
- Be conducted in accordance with the ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and this Guide
- Include reporting of the damage ratio with an exceedance probability corresponding to a 475-year return period earthquake

Freddie Mac may require that the Level 1 SRA be updated if it is dated more than six months prior to the issuance date for the Letter of Commitment.

The Consultant who prepares the Level 1 SRA must meet the qualifications and requirements stated in Section 64SBL.12. The Consultant must review pertinent information and records in accordance with Section 64SBL.6. Each Level 1 SRA must include information disclosed by an inspection of the Property's structural components.

At initial submission of the full underwriting package to Freddie Mac, the site inspection supporting the Level 1 SRA must be dated within 30 days prior to the date of the Level 1 SRA. This inspection and the report documentation must meet the requirements of Sections 64SBL.7 through 64SBL.9. In addition, the Consultant must complete [Form 1102, Seismic Risk Assessment Summary](#), as described in Section 64SBL.11 and include the form as part of the seismic risk documentation submitted in the underwriting package.

The Seller/Servicer must direct the Consultant to include the following language in the Level 1 SRA:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);



- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
  - any initial purchaser or subsequent holder of such debt and/or securities;
  - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
  - any indenture trustee;
  - any rating agency; and
  - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

#### **64SBL.6 Data collection and records inquiry for the Level 1 SRA (06/30/16)**

The Consultant must review all available information that would reveal the characteristics and current condition of the site and structural systems at the Property, including any seismic damage assessments. The Consultant should review such documents for informational purposes only and is not required to comment on their procedures, protocol, conclusions, or recommendations unless in conflict with the Consultant’s findings. The Consultant should only utilize such information in formulating recommendations or conclusions if such documents appear reasonably accurate. The Seller/Servicer must ensure that all such information is provided to the Consultant before the Consultant inspects the Property.

The Level 1 SRA must identify the information the Consultant reviewed and the contacts that were consulted.



At a minimum the following must be reviewed (as applicable) and incorporated into the SRA report:

- **As-Built Construction Documents** – Review of as-built documentation may be limited to structural information such as the type of framing material, strength of concrete or steel, type of column-to-beam connections, composition of shear walls, quantity of reinforcing bars, symmetry of building configuration, transference of loads to the substructure, nature of the substructure, and nature of the soils.
- **Documents for Planned Construction** - Review of documentation for planned construction at the Property, such as seismic retrofit or renovation work, that will likely affect the performance and damageability of the Property during a seismic event.
- **Soils Reports** – Review of available geotechnical information and comment on the soil type, geotechnical features and the potential for soil liquefaction, ground fault rupture, and landslides.
- **Building Information** – Identification of the building type and any federal, State or local law, ordinance or code under which it was designed.
- **Active Earthquake Faults** – Identification of any active faults in the region that may affect the Property, and report on their maximum credible magnitude potential.
- **Secondary Earthquake Hazards** – Identification of secondary, site-specific hazards such as soil liquefaction, earthquake-induced landslides, and tsunamis or seiches.

#### 64SBL.7 Inspection requirements for the Level 1 SRA (12/15/22)

The Consultant must perform a complete inspection of the exterior and interior of the Property's components and systems that are visible and accessible. This is generally a non-intrusive survey, but the Consultant must make a reasonable attempt at discovery. This inspection must document the building characteristics, any substantive inconsistencies between the field conditions and as-built documents, and any deficiencies in the structural systems. The Consultant must also document the sufficiency of non-structural elements including natural gas seismic shut-off valves, bracing and anchorage of secondary building systems, such as mechanical equipment and ceilings. The Consultant must provide photographic documentation that characterizes the Property's overall construction and configuration and that identifies specific vulnerabilities or signs of physical distress.

#### 64SBL.8 Seismic loss estimation requirements for the Level 1 SRA (12/15/22)

Based on the records submitted, site observations, and empirical data available through peer-reviewable data systems, the Consultant must render an opinion, in conformance with the ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a, of both the Scenario Expected Loss (SEL) and Scenario Upper Loss (SUL) as a percentage of the current building replacement cost. The SEL and SUL must be determined using the earthquake with a 10 percent probability of exceedance in 50 years (a.k.a. 475-year return period earthquake). The SEL and SUL based on the 10 percent probability of exceedance in 50 years (475-year return period earthquake) will be referred to as the SEL-475 and SUL-475 within this Guide. The Consultant must include, as applicable, a general description of the anticipated damage to



the structure and its expected life safety and building stability performance as a result of these scenario losses. The Consultant's method for calculating seismic loss estimates must be peer-reviewable, with all input, engineering assumptions and output documented in the report for third-party review.

For Properties where multiple building construction types are present (for example: buildings with tuck-under parking vs. buildings without tuck-under parking; garden-style buildings vs. high-rise buildings; linear buildings vs. L-shaped buildings), the Consultant must provide the SEL-475 and SUL-475 for each building construction type.

For additional information on evaluating the SEL-475 to determine the need for earthquake insurance or a seismic retrofit, see Section 64SBL.14.

## 64SBL.9 Report content for the Level 1 SRA (12/15/16)

The Consultant must include the findings from the Consultant's records review, site observations, and interpretation of data in a written report containing the following elements:

- **Cover Page** – must include the Property's name and address, report date, the client's name, address, and phone number, and the Consultant's name, address and phone number.
- **Certification Memo** – must include the Property's name and location, report date, reliance language, confirmation that the report meets ASTM Standard Guide E2026-16a, ASTM Standard Practice E2557-16a and the Guide, identification of the field and office personnel responsible for the report, and the signature of the reviewer.
- **Executive Summary** – must include the following:
  - Salient information about the buildings at the Property, such as their location, use, size, age, construction type, and design style
  - Summary of the findings of the analysis, including the general condition of the Property
  - Any specific areas of concern
  - The SEL-475 and SUL-475 as a percentage damage ratio, and provide peak ground acceleration motions and the approximate Modified Mercalli scale intensity at the site
  - Recommendations for further action or investigation as appropriate. If the Property is not expected to meet life safety and building stability performance standards as a result of the scenario losses considered, then the Consultant must include conceptual retrofit techniques that would achieve these performance levels
- **Purpose & Scope** – must state the purpose of the engagement, including an outline of the scope of work, the methods used to conduct the survey, a statement describing any limitations or exceptions to the scope of work, and reasons for any deletions or additions to the scope of work.
- **Survey Approach** – must provide a short description of the methodology used to conduct the survey and arrive at the conclusions. Include the specific method used to arrive at the

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- SEL-475 and SUL-475, the sources of the empirical data and proprietary systems, the level of documentation reviewed, the procedures used during the site observations, and the methods used to determine the building stability.
- **Site Characteristics** – must list and discuss the following:
    - Property location
    - Site and vicinity characteristics
    - Current use of the Property
    - Soil data source (e.g., geotechnical report, regional online data)
    - Soil type (engineering classification)
    - Liquefaction potential (classified Very Low, Low, Moderate, High, Very High)
    - Landslide potential (classified Very Low, Low, Moderate, High, Very High)
    - Ground fault rupture potential
    - Site map with aerial imagery, where available
  - **Building Characterization** – must list and discuss the following:
    - Construction classification (e.g., wood-framed, concrete, steel, masonry)
    - Number of stories
    - Year designed
    - Year constructed
    - Year renovated/upgraded
    - Structural irregularities
    - Geometric irregularities
    - Mass irregularities
    - Structural system redundancy
    - Overall construction quality
  - **Site Observations** – must list and discuss property specific issues observed during the inspection. This must include a detailed appendix, as described below
  - **Seismic Characteristics of Area** – must list and discuss the following:



- Most potentially damaging faults in the area of the Property (within a 50-mile radius)
- Maximum theoretical magnitude of an earthquake at that fault
- Approximate distance from the most potentially damaging fault
- Anticipated 475-year ground motion at the Property
- **Building Stability** – must be evaluated in accordance with ASTM Standard Guide E2026-16a, using the earthquake ground motion prescribed in the current edition of the International Building Code or other nationally applicable building code. Any stability concerns must be highlighted in [Form 1102](#). Use of the 475-year ground motion used to calculate the SEL-475 is not appropriate for the building stability determination.
- **Site Seismicity and Scenario Loss** – must state the Consultant's opinion in accordance with ASTM Standard Guide E2026-16a and ASTM Standard Practice E2557-16a of the SEL and the SUL as a percentage of the current building replacement cost as a result of this analysis.
- **Appendices** – must include the following, at a minimum:
  - Qualifications - Professional resumes for all participating qualified professionals, including the Field Assessor, Report Author, and Senior Assessor as applicable
  - Photographs - Photos specific to the seismic assessment that document the Property's structural systems and identify seismic vulnerabilities and disrepair that relate to the calculation of the seismic loss estimates
  - Site Plan - must clearly label the Property, each building, and the location of specific seismic vulnerabilities as identified in the report
- [Form 1102, Seismic Risk Assessment Summary](#) – must be completed in its entirety

#### 64SBL.10 Acceptability of the Level 1 SRA (06/30/16)

The Level 1 SRA must be acceptable to Freddie Mac. Upon Freddie Mac's review of the completed SRA, Freddie Mac may impose additional requirements.

#### 64SBL.11 Form 1102, Seismic Risk Assessment Summary for a Level 1 SRA (12/15/22)

The Consultant must complete and sign [Form 1102](#). Below is a description of each section:

- **PGA Determination** – provide the PGA as determined using the formula found in Section 64SBL.2(b)
- **Deviations to the Field Assessor's Qualifications** – if the Senior Assessor has determined that a Field Assessor who does not meet the minimum qualifications in Section 64SBL.12(a) is acceptable, the Senior Assessor will provide a justification, subject to approval by Freddie Mac





- **Building Stability** – summarize the details regarding any building stability concerns, along with any recommendations as applicable (e.g., further engineering review, retrofit recommendations)
- **SEL-475**– for Properties with a single construction type, provide a single SEL-475. For Properties in which multiple building types are present, provide a brief description of each building type and its corresponding SEL-475, and, when prompted, identify if the building type in question has stability concerns

## 64SBL.12 Level 1 SRA Consultant qualifications and requirements (12/15/16)

Consultants who conduct the on-site inspections and complete the Level 1 SRA reports must meet the qualifications and requirements specified in this section.

Because Freddie Mac does not approve Consultants, the Seller/Servicer must not consider any representation that a Consultant is approved or qualified by Freddie Mac to perform Level 1 SRAs. The Seller/Servicer is responsible for selecting the Consultant and is solely accountable for the Consultant's performance. The Seller/Servicer must ensure that the consultant is qualified to perform the required work.

### a. References and experience (12/15/16)

The consulting company providing Level 1 SRA reports must meet the following minimum requirements:

- A staff of qualified professionals
- The ability to rapidly assess sites in all Elevated Seismic Hazard Regions of the United States
- A significant track record completing seismic reports for commercial real estate investors
- Experience working within the commercial mortgage securitization markets and rating agencies
- A well-developed production infrastructure and documented quality control procedures

The Consultant responsible for conducting the on-site inspection must meet the qualifications of either a Field Assessor or Senior Assessor, as defined in the ASTM Standard Guide E2026-16a Section 6.2.3, and as noted below.

The minimum qualifications for the Senior Assessor are:

- Licensed to practice civil or structural engineering
- 10 years of experience of general structural engineering of buildings
- Five years of experience of seismic design and analysis experience of buildings



- Three years of experience of seismic risk assessment of buildings

The minimum qualifications for a Field Assessor are:

- Licensed to practice civil or structural engineering
- Five years of experience of general structural engineering of buildings
- Three years of experience of seismic design and analysis experience of buildings
- Two years of experience of seismic risk assessment of buildings

In accordance with ASTM E2026-16a Section 6.2.3.4 the Senior Assessor will be responsible for determining the acceptable level of qualifications for the assessment and will be accountable for all elements of the Level 1 SRA. Pursuant to this section, the Senior Assessor may determine that a Field Assessor who does not meet the minimum qualifications is acceptable. Freddie Mac will consider approval of a deviation of the Field Assessor qualifications under the following scenarios:

- Original construction and/or seismic retrofit structural drawings are provided for review by the Field Assessor and/or Senior Assessor prior to the assessment, or
- The building(s) were designed and constructed in accordance with a Benchmark Building Code, or subsequent edition, as defined by American Society of Civil Engineers (ASCE) national standard ASCE 41-13, Chapter 4, Table 4-6, or
- The buildings on the property are determined by the Senior Assessor to have sufficiently simple configuration and no irregularities (such as tuck-under parking) that would promote undesirable seismic behavior that may result in structural instability or elevated building damageability.

The Senior Assessor must provide clear and concise justification for any deviations from the Field Assessor qualifications in [Form 1102](#) and in the Certification Memo of the Level 1 SRA per Section 64SBL.9.

A Level 1 SRA must be written by a Consultant that meets the qualifications of a Field Assessor or Senior Assessor and must be reviewed and signed by a Consultant meeting the qualifications of a Senior Assessor. The qualifications of all professionals must be attached to the report and are subject to review by the Seller/Service and Freddie Mac.

All Consultants with a professional engineering designation must have a valid and current license issued by one of the following States: Alaska, California, Washington, Oregon, Nevada, Utah, Hawaii, and Tennessee.

See Section 64SBL.3 for specific Seller/Service duties and responsibilities for retaining and directing a Consultant when a Level 1 SRA is required.

**b. Conflicts of interest/provision of related services (06/30/16)**

The Consultant may not be affiliated with the Borrower, the Seller/Service, a buyer or seller of the Property, or engaged in any business that might present a conflict of interest.

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**c. Insurance (06/30/16)**

The Seller/Servicer must obtain from each Consultant an original certificate(s) of liability insurance that indicates that the Consultant is covered by insurance meeting the requirements of Section 11.5. The Seller/Servicer must retain the original certificate(s) of liability insurance in its files.

**d. Unacceptable Consultants (06/30/16)**

The Seller/Servicer must send written notification immediately to *Small Balance Loan Team* if the Seller/Servicer, for cause, discontinues the use of a Consultant who has completed Level 1 SRAs within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac.

In addition, Freddie Mac reserves the right to refuse to accept Level 1 SRAs completed by any Consultant. Freddie Mac will maintain, at [mf.freddiemac.com](http://mf.freddiemac.com), the [Multifamily Restricted Vendor List](#). If a Consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Consultant to complete a Level 1 SRA for a Property until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable Consultants do not prepare reports for Freddie Mac and will constitute "Confidential Information" as defined in Section 2.8.

**64SBL.13 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the representations and warranties regarding the Consultant and Level 1 SRA set forth in Section 5.4.

**64SBL.14 Evaluation of the SRA results (09/30/20)**

Retrofit and seismic insurance requirements are based on the results from the SRA. The following table summarizes the requirements based on the report findings:

SEL-475	Building Stability Concern	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% and ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac

> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration
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If the Property will undergo seismic retrofit, the Borrower must establish a Repair Reserve of at least 125 percent of the estimated cost to make the required modifications, and the retrofit must be completed within 12 months after the Origination Date.

See Section 31.9(b)(3)(b) for information on requesting Freddie Mac approval to discontinue earthquake coverage after the Property undergoes seismic retrofit.

See Section 64SBL.8 for detailed information on determining the SEL to document in the SRA.

# Multifamily Seller/Service Guide

## Chapter 65

### Green Report Requirements



- 65.1 [Green Up® Assessments and Green Up Plus® Assessments \(10/12/17\)](#)
- 65.2 [Specific Seller/Service duties and responsibilities \(02/28/19\)](#)
- 65.3 [Green Report requirements \(04/15/21\)](#)
  - a. [General requirements for Green Reports \(10/12/17\)](#)
  - b. [Specific requirements for a Green Assessment report \(04/15/21\)](#)
  - c. [Specific requirements for a Green Assessment Plus report \(10/12/17\)](#)
- 65.4 [Data collection and records inquiry for the Green Report \(10/12/17\)](#)
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- 65.6 [Acceptability of the Green Report \(10/12/17\)](#)
- 65.7 [Green Consultant qualifications and requirements \(10/12/17\)](#)
  - a. [General requirements \(10/12/17\)](#)
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  - e. [Unacceptable Green Consultants \(10/12/17\)](#)
- 65.8 [Representations and warranties \(09/28/18\)](#)



## 65.1 Green Up® Assessments and Green Up Plus® Assessments (10/12/17)

This chapter sets forth the requirements, duties and responsibilities of the Seller/Servicer and the Green Consultant to provide a Green Assessment® or a Green Assessment Plus®.

Unless stated otherwise, the term Green Report is used collectively in this chapter to refer to the Green Assessment and the Green Assessment Plus Reports. The purpose of the Green Report is to

- Analyze current energy and water consumption
- Evaluate how the building is operated and identify measures to increase operational efficiencies
- Provide an ENERGY STAR® Energy Score as determined by Portfolio Manager®
- Provide an EPA 1-100 Water Score as determined by Portfolio Manager
- Identify the energy conservation measures and water conservation measures from which the Borrower will select the Green Improvements

A Borrower must inform the Seller/Servicer if the Borrower is interested in obtaining a Green Report. The Borrower must select qualifying conservation measures from among those identified by the Green Consultant in the Green Report before Freddie Mac will confirm that the Property is eligible for Green Up or Green Up Plus. The conservation measures selected by the Borrower will be documented as Green Improvements in the Green Improvement Rider to the Loan Documents.

In addition to obtaining a Green Report, the Seller/Servicer must also obtain other applicable third-party reports (Appraisal, property condition report, seismic risk assessment report) as required by the Guide.

## 65.2 Specific Seller/Servicer duties and responsibilities (02/28/19)

- a. The Seller/Servicer must select, retain and direct the Green Consultant.
  1. Prior to retaining or employing a Green Consultant, the Seller/Servicer must review at least three references from lenders who have retained or employed the Green Consultant to sufficiently evaluate the Green Consultant's capabilities and performance.
  2. The Borrower must not retain or direct the Green Consultant. However, the Borrower may be responsible for paying the costs of all Green Consultant services above the reimbursement which Freddie Mac has agreed to pay upon Freddie Mac's purchase of the Mortgage.
  3. The Seller/Servicer is accountable for the Green Consultant's performance.
- b. The Seller/Servicer must obtain, review and verify the Green Consultant's credentials, licensing, applicable certifications, as well as information related to affiliations or memberships in professional organizations.
- c. The Seller/Servicer must maintain a separate Green Consultant file for all Green Consultants that includes the Seller/Servicer's ongoing evaluations of each Green Consultant's performance, as



well as the Green Consultant's current resume, required references and a copy of the current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

- d. The Seller/Servicer must provide the Green Consultant with 13 months of utility consumption data for all owner paid utilities. If tenants pay for utilities consumed in the units, the Seller/Servicer must obtain at least 10 percent of tenant consumption data. In addition, the Seller/Servicer must obtain all information pertaining to the maintenance, repair and replacement of major building components or systems before the Green Consultant completes the Green Report.
- e. The Seller/Servicer must obtain a Green Report for the Property, including
  - Reviewing the Green Report to ensure that it complies with Freddie Mac's requirements
  - Providing a copy of the Green Report to the Borrower so that the Borrower may select conservation measures
  - Directing the Green Consultant to share Property information with Freddie Mac in Portfolio Manager
  - Ensuring that the Borrower has a Portfolio Manager account and ensuring that the Green Consultant has access to the Borrower account so that the Property data that is input by the Green Consultant can be shared with the Borrower
- f. The Seller/Servicer must monitor completion of the Green Improvements and compliance with the benchmarking requirements in Section 39.10 and the Loan Documents by ensuring that the Borrower
  - Includes funds for the completion of the Green Improvements in compliance with the requirements in Chapter 39 and the Loan Documents
  - Completes the Green Improvements within the timeline identified in the Loan Documents
  - Retains a Benchmarking Data Consultant that meets the requirements set forth on the [Benchmarking Data Collection – Consultant Requirements document](http://mf.freddiemac.com/BenchmarkingDataCollection-ConsultantRequirements) located at [mf.freddiemac.com](http://mf.freddiemac.com)
  - Reports on energy and water consumption through the Benchmarking Data Consultant as described in Section 39.10 and in the Loan Documents
- g. The Seller/Servicer must direct the Green Consultant to include in the Green Report the reliance provisions found in Section 65.3(a)(3)

### 65.3 Green Report requirements (04/15/21)

#### a. General requirements for Green Reports (10/12/17)

The Green Consultant's work must be based on the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) Level 1 Standard (contained in "Procedures for

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Commercial and Energy Audits, Second Edition”, as amended from time to time) and the requirements of this Chapter 65.

1. Each Green Report must
  - a. Be prepared by a Green Consultant who meets the qualifications and requirements stated in Section 65.7
  - b. Include information disclosed by an inspection of the Property
  - c. Meet the requirements of Sections 65.4 and 65.5
  - d. Clearly state any limiting conditions and the intended purpose of the Green Report
  - e. Identify deviations from the Guide requirements and the most recent version of the applicable ASHRAE level standard
  - f. Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac
  - g. Be submitted on [Form 1106, Green Report](#)
2. The Green Report also must include the following:
  - a. All information the Green 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
  - b. Sufficient standard-size color photographs as are necessary to illustrate the equipment and conditions discussed in the Green Report. The Green Consultant must determine the number of photographs that will be necessary and include the photographs in the appendix, with a narrative describing each photograph
  - c. The resume of the individual performing the on-site inspection
  - d. The resume of the individual conducting the energy and water analysis, if different from the individual who performed the inspection
3. The Green Report must include the following reliance provisions:

“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.”

**b. Specific requirements for a Green Assessment report (04/15/21)**

1. The report must reflect the results of an audit which identifies cost effective energy and water conservation measures (EWCs) that could result in reduced energy and water consumption based on the following:
  - a. An inspection of the Property
  - b. An analysis of consumption data over the previous 13 consecutive months
  - c. Interviews with site contacts that are knowledgeable regarding Property operations



2. In compliance with the ASHRAE Procedures for the Level 1 analysis, the Green Consultant must complete the “Preliminary Energy Use Analysis” (PEA) that includes a water analysis, conduct a site visit in accordance with Section 65.5, and produce a report in compliance with the requirements of this chapter.
3. The Green Consultant must perform the following and document results in the [Form 1106, Green Report](#):
  - a. Analyze the historic energy and water use, peak demand and cost by reviewing at least 13 months of whole building data, or if whole building data is not obtained, all common area and at least 10 percent of tenant energy and water consumption data. If tenant energy and water consumption data is not available from the Borrower, the Green Consultant must make every effort to obtain this information from the local utilities (typically aggregated data) within the required Green Report deadline. If no tenant consumption information is available, the Green Consultant must estimate monthly water and energy consumption for all tenant space based on buildings of similar use, similar construction and location
  - b. Document the existing energy- and water-consuming equipment (model number, capacity, efficiency, condition and fuel source)
  - c. Document current monthly energy and water consumption in Portfolio Manager and link the Property data to the Borrower and Freddie Mac
  - d. Document the building envelope in terms of materials, condition and an estimation of U-factors for walls, roofs and windows
  - e. Provide a utility rate schedule
  - f. Indicate capacity, efficiency, controls and Remaining Useful Life (RUL) for all existing equipment
  - g. Identify cost effective energy and water conservation measures (EWCMs)
  - h. Identify alternative energy sources as conservation measures
  - i. Identify operational and controls adjustments as conservation measures
  - j. Segregate cost savings as owner savings or tenant savings based on the ultimate responsibility for paying the utility cost (e.g., in the case of RUBS, the tenant will ultimately be paying the utility cost)
  - k. Indicate projected savings in terms of dollars saved, consumption saved and as a percentage of the whole building consumption for each EWCM
  - l. Provide costs (inclusive of labor and materials) to implement each EWCM and alternative energy source
  - m. Indicate simple payback for each EWCM



- n. Identify the ENERGY STAR Score and the EPA 1-100 Water Score after the Property consumption data is entered into Portfolio Manager
- o. Provide the analysis used to develop the conservation measures
- p. Provide photographs to indicate:
  - General building construction and condition
  - Major equipment types and condition
  - General plumbing and electrical fixture types and condition
  - Predominant appliance types and condition
  - Units inspected

**c. Specific requirements for a Green Assessment Plus report (10/12/17)**

The Green Assessment Plus report provides a higher degree of accuracy in predicted results by requiring a more detailed analysis. The Green Consultant's work must be based on the ASHRAE Level 2 standard (contained in "Procedures for Commercial and Energy Audits, Second Edition", as amended from time to time) and the requirements of this Chapter 65.

In addition to complying with the requirements for a Green Assessment found in Section 65.3(b), the Green Consultant preparing a Green Assessment Plus must:

- Conduct a more detailed property inspection as described in Section 65.5
- Complete a more detailed energy analysis as described by ASHRAE Level 2 standard
- Identify all assumptions, modeling software used, and calculations used to identify energy and water savings
- Provide a narrative report

**65.4 Data collection and records inquiry for the Green Report (10/12/17)**

The Green Consultant must:

- Review information pertaining to the operation, maintenance, repair and replacement of heating, cooling and water systems
- Review as-built building plans for the Property when available
- Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress related to heating, cooling, electrical and water systems



The Green Report must identify the information the Green Consultant reviewed and the contacts that the Green Consultant made.

### **65.5 Property inspection requirements for the Green Assessment (10/12/17)**

The Green Consultant must perform an inspection of the exterior and interior of the Property's components sufficient to understand the construction, equipment, maintenance and operations at the Property.

The Green Consultant must inspect all buildings and at least two units of each type, with a minimum of 10 units, in each distinct phase and in each unique building construction type or period. Inspected units should not include any down or unrentable units. All central electrical, plumbing and HVAC equipment must be inspected as well as all typical unit equipment.

The Green Consultant must meet with knowledgeable on site sources to learn about maintenance and operations practices, recent and planned improvements, and problematic issues at the Property.

For a Green Assessment Plus, the Green Consultant's on site work also must include the following:

- A detailed property inspection as described in ASHRAE Table 3 of "Procedures for Commercial and Energy Audits, Second Edition", as amended from time to time
- Measurements and readings for energy as described by the ASHRAE Level 2 standard as well as appropriate water measurements
- A review of the as-built plans and specifications when available

### **65.6 Acceptability of the Green Report (10/12/17)**

The Green Report must be acceptable to Freddie Mac. Upon Freddie Mac's review of the completed Green Report, Freddie Mac may impose additional requirements. The Green Report must identify all appropriate Green Improvements with estimated costs.

### **65.7 Green Consultant qualifications and requirements (10/12/17)**

A Green Consultant who conducts the on-site inspection and completes the analysis for any Green Report must meet the qualifications and requirements specified in this section.

#### **a. General requirements (10/12/17)**

The Green Consultant performing the site inspection or completing the Green Report must be familiar with energy and water audits. In addition, the Green Consultant performing the analysis for the Green Report must be familiar with ASHRAE standards, energy and water modeling and the software that supports this analysis.

**b. References and experience (10/12/17)**

A Green Consultant performing inspections must have the following qualifications to support the required energy and water analysis:

- Targeted training in the identification and recording of energy and water information for related systems and equipment, and the documentation of building operations and envelope information
- Completion of at least five inspections for energy water audits over the past two years

The Green Consultant completing the energy and water analysis must have the following qualifications:

- Two years of experience with energy and water audits and the successful completion of a minimum of 10 energy and water audits for multifamily properties in the past two years
- Familiarity with the guidelines for Level 1 and Level 2 audits as provided by ASHRAE
- Familiarity with Portfolio Manager
- At least one of the following professional designations:
  - Certified Energy Manager® (CEM) or Certified Energy Auditor (CEA) as certified by the Association of Energy Engineers (AEE)
  - Multifamily Building Analyst (MFBA) as certified by the Building Performance Institute (BPI)
  - High-performance Building Design Professional (HPBD) as certified by ASHRAE
  - Building Energy Assessment Professional (BEAP) as certified by ASHRAE

**c. Conflicts of interest/provision of related services (10/12/17)**

The Green Consultant may not be affiliated with the Borrower, the Seller/Servicer, a buyer or seller of the Property, or engaged in any business that might present a conflict of interest. The Green Consultant may not be engaged to perform any repair or remedial work specified in the Green Report.

**d. Insurance (10/12/17)**

The Green Consultant must provide to the Seller/Servicer a copy of the original certificate(s) of insurance that indicates that the Green Consultant is, at its own expense, covered by insurance meeting the requirements of Section 11.5.



The Seller/Servicer must retain the copy of the original certificate(s) of liability insurance in its files.

**e. Unacceptable Green Consultants (10/12/17)**

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 Green Consultant who has completed Green 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 Green Reports completed by any specific Green Consultant. Freddie Mac will maintain, at [mf.freddiemac.com](http://mf.freddiemac.com), the [Multifamily Restricted Vendor List](#). If a Green Consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Green Consultant to inspect or perform an energy and water audit for a Property until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable Green Consultants do not prepare reports for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

**65.8 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the warranties regarding the Green Consultant and Green Report set forth in Section 5.4.



# Multifamily Seller/Service Guide

## Chapter 66

### Conventional/TAH Physical Risk Report Requirements



- 66.1 [Physical Risk Reports \(12/12/24\)](#)
  - a. [Purpose of the Physical Risk Report \(12/12/24\)](#)
  - b. [Information to be provided with the Physical Risk Report \(02/16/23\)](#)
- 66.2 [Specific Seller/Service duties and responsibilities \(12/12/24\)](#)
- 66.3 [Physical Risk Report requirements \(12/14/23\)](#)
  - a. [General requirements for Physical Risk Reports \(02/16/23\)](#)
  - b. [Repair categories \(12/14/17\)](#)
  - c. [Capital needs over the term of the Mortgage \(Replacement Reserves\) \(02/28/18\)](#)
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  - e. [Operations and maintenance \(O&M\) program \(12/14/17\)](#)
  - f. [Specific requirements for the Physical Risk Report \(12/14/23\)](#)
- 66.4 [Data collection and records inquiry for the Physical Risk Report \(12/14/23\)](#)
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- 66.6 [Hazardous material \(02/16/23\)](#)
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- 66.9 [Prior use/historical sources inquiry \(02/16/23\)](#)
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- 66.17 [Acceptability of the Physical Risk Report \(02/16/23\)](#)
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- 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 \(12/14/17\)](#)
- e. [Unacceptable consultants \(12/14/17\)](#)

66.19 [Mortgage Servicing \(02/16/23\)](#)

66.20 [Representations and warranties \(09/28/18\)](#)



## 66.1 Physical Risk Reports (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 (12/12/24)

The purpose of the Physical Risk Report is to:

- Provide a brief description of all major building components and their condition
- Identify all deferred maintenance that is currently affecting building components or is expected to have a negative impact on building components
- Identify Critical Repairs and Priority Repairs (as defined in Section 66.3(b)) needed and provide cost estimates for those items
- Identify the capital needs over the term of the Mortgage and establish the appropriate amount of the Replacement Reserve
- Identify any current or past water intrusion, potentially damaging leaks or organic growth issues (Mold) and identify the source(s) of all water and Mold
- Identify problematic materials, equipment or systems as defined in Section 62.5(c)
- Identify all readily observable issues related to non-compliance with applicable codes, including disability accessibility requirements, and all issues that could negatively affect the health and safety of the tenants



- For a property in an Elevated Seismic Hazard Region, evaluate the high risk seismic factors identified in Section 64.2(c)
- Identify any potential environmental concerns at the subject property and on adjacent properties

**b. Information to be provided with the Physical Risk Report (02/16/23)**

The Seller/Servicer must submit the completed Physical Risk Report, which conveys information about the property features, conditions, potential environmental concerns and all recommended remedies, to Freddie Mac along with copies of:

- All information the consultant reviewed, including all data and records provided by the Borrower as well as test results and data reviewed in accordance with Section 66.4 (Key documents, such as test results, environmental databases and renovation scope of work and budgets, should be included in the report appendix.)
- Sufficient standard-size color photographs as are necessary to illustrate the conditions discussed in the report (The consultant must determine the number of photographs that will be necessary and include the photographs, with a description for each photograph.)
- A site plan(s) to adequately locate the Property and provide an indication of the site layout
- The resume of the individual who performed the on-site inspection
- The resume(s) of the individual(s) who reviewed the report, if different from the individual who performed the inspection

**66.2 Specific Seller/Servicer duties and responsibilities (12/12/24)**

The Seller/Servicer must exercise due diligence when evaluating a Property, and must make appropriate inspections and inquiries to learn its true condition.

The Seller/Servicer's responsibilities are to:

- Retain and direct the physical risk consultant

The Seller must review and verify the physical risk consultant's credentials, licensing, certifications, memberships and affiliations. For new consultants, the Seller must check at least three references from lenders who have retained or employed the physical risk consultant to sufficiently evaluate the consultant's capabilities and performance. The Seller must maintain a separate physical risk consultant file for Freddie Mac's use that includes the Seller's ongoing evaluations of each consultant's performance, as well as the consultant's current resume, required references and current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.

The Borrower must not retain or direct the physical risk consultant; however, the Seller may require the Borrower to pay the costs of all physical risk consultant services.



- Disclose if the State where the Property is located has an Environmental Superlien Law

Because an environmental superlien could take precedence over the Mortgage lien, the Seller/Servicer must highlight the existence of the Environmental Superlien Law when the Seller/Servicer brings to Freddie Mac's attention any conditions that could result in such a lien being imposed on the Property.

- Disclose to Freddie Mac and the physical risk consultant knowledge of any environmental matters that may affect the Property and knowledge of any physical deficiencies
- Keep abreast of local health, safety accessibility and environmental laws governing the Property
- Provide to the consultant any previously completed Physical Risk Report, property condition report or environmental report and all information pertaining to the maintenance, repair and replacement of major building components or systems before the consultant physically inspects the Property as required in Section 66.4
- Determine if an operations and maintenance (O&M) program is required and obtain an O&M program that is acceptable to Freddie Mac
- Assess the Borrower's ability to successfully execute an O&M program
- Obtain the Physical Risk Report for the Property
  - Review the Physical Risk Report to ensure that it complies with Freddie Mac's requirements and to verify that conclusive recommendations are provided for all identified issues
  - Obtain additional analysis as necessary to resolve any issues with respect to which the consultant was unable to reach a conclusion
- Ensure the appropriate risk management actions have been undertaken for identified environmental hazards
- Provide a copy of the completed Physical Risk Report to the Borrower so that the Borrower can understand their obligations to complete the identified Priority Repairs (including PR-90 Repairs) as specified in the Loan Documents
- In accordance with Section 8.17
  - Report Critical Repair findings to Freddie Mac, and follow up to ensure timely completion of Critical Repairs
  - Include completion, reserve funding, and other requirements for Capital Replacements and Repairs in the Loan Documents when required by the Letter of Commitment
- When problematic materials, equipment and systems are identified, as described in Section 62.5(c)
  - Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property



- Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems

### 66.3 Physical Risk Report requirements (12/14/23)

#### a. General requirements for Physical Risk Reports (02/16/23)

Each Physical Risk Report must:

- Be completed by a consultant who meets the qualifications and requirements stated in Section 66.18
- Document information disclosed by a comprehensive inspection of the Property to analyze all property conditions and environmental hazards
- Meet the inspection requirements of Sections 66.5 through 66.15
- Indicate the appropriate category described below for each repair item except Routine Repairs and Maintenance
- For every Critical Repair, Priority Repair and potential environmental concern that is identified, provide a suggested remedy and a cost for repair, replacement or remediation
- Include any environmental sampling results
- Reference any environmental O&M programs that are recommended
- If a cost for repair or replacement of any item cannot be identified without further analysis, recommend a scope for the analysis and the estimated cost of such analysis

The physical risk consultant must review pertinent information and records in accordance with Section 66.5.

Sections of Chapter 66 refer to environmental provisions in Chapter 61 to avoid duplication. For the purposes of this Chapter 66, all references to the environmental report in the referenced sections of Chapter 61 are to be understood as referring to the Physical Risk Report, and any references to the environmental consultant in the referenced sections of Chapter 61 except Section 61.14 (radon) are to be understood as referring to the physical risk consultant. All radon testing must be managed by an environmental consultant, who must be an “Environmental Professional” as that term is defined in 40 CFR § 312.10.

#### b. Repair categories (12/14/17)

See Section 62.3(b) for a description of the repair categories.

#### c. Capital needs over the term of the Mortgage (Replacement Reserves) (02/28/18)

In Section VI, the consultant must:



- Identify the items needing repair or replacement that are beyond the scope of regular maintenance but are necessary to maintain the overall condition of the Property
- Provide an assessment of the Property that
  - Projects the need for replacements and repairs for the term of the Mortgage plus two years, to a maximum of 12 years
  - Identifies and quantifies the needs and the annual costs after accounting for the inflation factor as indicated in Section VI of [Form 1108, Physical Risk Report](#)

Freddie Mac will review the consultant's assessment and determine the actual Replacement Reserve amount. For a Mortgage with a term of more than 10 years, see Section 39.6(f) for additional Replacement Reserve requirements.

For Seniors Housing Mortgages, see additional requirements for the Replacement Reserve analysis in Section 21.16(e).

For Manufactured Housing Communities Mortgages, see additional requirements for the Replacement Reserve analysis in Section 22.2(i).

**d. Remediation and retesting (12/14/17)**

Refer to Section 61.4(b).

**e. Operations and maintenance (O&M) program (12/14/17)**

Refer to Section 61.4(c).

**f. Specific requirements for the Physical Risk Report (12/14/23)**

The Physical Risk Report must be completed and dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac.

The site inspection supporting the Physical Risk Report, and the supporting environmental database report, must be dated within 30 days prior to the date of the Physical Risk Report.

The Physical Risk Report must be certified by the physical risk consultant and clearly

- Identify all conditions present during the inspection
- Identify all parties present during the site visit and contacted for data or information required for the report
- State any limiting conditions and the intended purpose of the report
- Identify any deviations from the Guide requirements and the most recent version of ASTM standards E2018 and E1528 as well as applicable environmental regulations established by the Environmental Protection Agency (EPA)





## 66.4 Data collection and records inquiry for the Physical Risk Report (12/14/23)

The physical risk consultant must:

- Review information pertaining to the maintenance, repair and replacement of major building components or systems
- Review all significant maintenance reports, repair receipts and replacement items completed within the past 12 months, as well as elevator, boiler and safety inspection records and certificates
- Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress
- Determine if any deficiencies identified in the inspection are included in the Borrower's scope of work, and if deficiencies noted are part of planned or ongoing improvements, analyze the Borrower's budget associated with this work to determine the adequacy of the budget
- Note readily observable deficiencies and/or violations of any federal, State or local laws, ordinances or codes that remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
  - For properties built prior to the enactment of the Fair Housing Act and the American Disabilities Act, note any conditions that could be repaired and/or renovated that pursuant to the applicable federal, State and local laws, statutes and regulations are "**readily achievable**" and/or qualify as "**reasonable accommodations**" which will increase accessibility for disabled tenants and visitors to the property in accordance with the applicable laws, statutes and regulations
- Make appropriate inquiry through publicly available sources to determine if any federal, State or local law, ordinance or code violations remain open for the Property, including any violations related to zoning, subdivision and use, building and housing accessibility (including the Americans with Disabilities and Fair Housing Acts), health matters, fire safety or energy-related requirements
- For a Property located in an Elevated Seismic Hazard Region, as defined in Section 64.2, evaluate the seismic risk factors found in Section 64.2(c)
- For a Property where a Solar Electric System is installed or will be installed, include information outlined in Section 8.21(f)
- Review all appropriate environmental records, including previous environmental assessment reports, past test results, information on historical use of the subject property and neighboring properties and governmental environmental database records
- Make appropriate inquiry regarding the use and ownership of potentially hazardous equipment at the subject property
- Conduct any required environmental testing in conformance with applicable local, State and federal regulations and licensing requirements

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The Physical Risk Report must identify the information the consultant reviewed and the contacts that the consultant made.

## **66.5 Inspection requirements for the Physical Risk Report (02/16/23)**

The physical risk consultant must perform a complete inspection of the exterior and interior of the Property's components. This inspection must document the types of materials, systems, equipment and potential environmental concerns observed. Refer to Sections 62.5(a)-(c) and Section 62.5(e); however, item 62.5(a)(13) does not apply.

Each Physical Risk Report must evaluate conditions and contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which include the following Scope Issues:

1. Hazardous materials
2. Storage tanks
3. Polychlorinated biphenyls (PCBs)
4. Prior use
5. Neighborhood hazardous waste activity

Each Physical Risk Report must also include an evaluation of the following Non-Scope Issues:

1. Asbestos
2. Lead-based paint (LBP)
3. Drinking water quality
4. Mold
5. Radon
6. Superlien status

## **66.6 Hazardous material (02/16/23)**

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this hazardous material risk. If any responses to the questionnaire are "yes" or "unknown", then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.5(a)-(d).



### **66.7 Storage tanks (02/16/23)**

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this storage tank risk. If any responses to the questionnaire are “yes” or “unknown,” then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.6(a)-(e).

### **66.8 Polychlorinated biphenyls (PCBs) (02/16/23)**

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate this PCB risk. If any responses to the questionnaire are “yes” or “unknown”, then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.7(a)-(e).

### **66.9 Prior use/historical sources inquiry (02/16/23)**

The consultant must determine whether any past uses of the Property indicate the potential for contamination to be present due to releases of hazardous materials or petroleum.

Based on a property inspection and input sought from knowledgeable sources, the physical risk consultant must complete a transaction screen questionnaire substantially similar to the current ASTM E1528 standard to initially evaluate any risk associated with the prior use of the Property. If any responses to the questionnaire are “yes” or “unknown”, then further analysis must be completed by a consultant qualified in accordance with the requirements of Section 61.17.

If further analysis is warranted, refer to Sections 61.8(a)-(c).

### **66.10 Neighborhood hazardous waste activity (02/16/23)**

Refer to Sections 61.9(a)-(b).

### **66.11 Asbestos-containing materials (ACM) (02/16/23)**

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/Serviceicer must not consider any representation that a consultant is approved or qualified by Freddie Mac to prepare Physical Risk Reports. The Seller/Serviceicer is responsible for selecting the consultant and is solely accountable for the consultant's performance. The Seller/Serviceicer must ensure that the consultant is qualified to perform the required work.

#### **a. General requirements (12/14/17)**

Consultants' qualifications may vary with the needs of the specific assignment: general inspection services or specific technical analysis may be required. The consultant must be able to analyze building systems, site conditions, and environmental issues professionally, identify deficiencies and recommend remedial responses with cost estimates.



**b. References and experience (02/16/23)**

A consultant performing inspections and preparing Physical Risk Reports must have all of the following qualifications:

- A bachelor's or graduate degree in architecture or a related engineering field from an accredited institution
- Five or more years of experience in one or more of the following disciplines: architecture, engineering (structural, mechanical or civil) and/or construction/cost estimating
- Three or more years of experience performing multifamily property inspections
- Two or more years of experience conducting similar work for financial institutions

Personnel directly involved with analyzing the environmental information and data for the Physical Risk Report must also have expertise in at least the following relevant areas:

1. Soil and/or ground water contamination
2. Soil and/or ground water sampling
3. Asbestos identification and abatement
4. PCB contamination
5. UST identification, abandonment and removal supervision
6. LBP identification and abatement design and supervision
7. Familiarity with applicable federal, State and local environmental and public health laws and regulations
8. Development of O&M programs

Consultants that are taking samples of suspect asbestos-containing materials must have successfully completed the following courses that, at a minimum, meet the EPA Guidelines for Asbestos Model Accreditation Plan:

- A 24-hour asbestos inspection course
- An annual refresher course



Subsurface soil service providers must also complete the 40-hour Health and Safety Training for Hazardous Waste Operations course, with annual 8-hour refresher courses.

For LBP and asbestos work, some States and municipalities require a license or certificate. The physical risk consulting firm must have a sufficient number of properly licensed or certified employees to complete the project.

The Seller/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](http://mf.freddiemac.com), the [Multifamily Restricted Vendor List](#). If a physical risk consultant appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that consultant to inspect a Property until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that physical risk consultants who are not acceptable to Freddie Mac do not prepare reports for use by Freddie Mac. The Multifamily Restricted Vendor List constitutes "Confidential Information" as defined in Section 2.8.

#### **66.19 Mortgage Servicing (02/16/23)**

Refer to Section 61.18.

#### **66.20 Representations and warranties (09/28/18)**

The Seller/Servicer is deemed to make the warranties regarding the Physical Risk Report and the physical risk consultant set forth in Section 5.4.



# Multifamily Seller/Service Guide

## Directory



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[Applicable Freddie Mac Multifamily Regional Office](#)

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## Directory (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  
200 Spectrum Center Drive, Suite 200  
Irvine, CA 92618  
Telephone number: (213) 337-4200



## 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**

Servicing Multifamily Seller/Service Providers with Properties in the following States:

Alaska	Hawaii	Oregon
Arizona	Nevada	Washington
California		

Multifamily SBL – Western Region  
 Freddie Mac  
 200 Spectrum Center Drive, Suite 200  
 Irvine, CA 92618  
 Telephone number: (213) 337-4200



## 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](mailto: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](mailto: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](mailto: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](mailto:Multifamily_Cash_Desk@freddiemac.com)

**Multifamily Counterparty Risk & Compliance**

Attn: Multifamily Counterparty Risk & Compliance  
Freddie Mac  
8100 Jones Branch Drive  
McLean, VA 22102-3110

Telephone number: (703) 714-2904

Email [Multifamily\\_Eligibility@freddiemac.com](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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

# Multifamily Seller/Servicer Guide

## Glossary and List of Commonly Used Acronyms



### Glossary and List of Commonly Used Acronyms (02/27/25)

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#### Glossary

##### 30 Days Delinquent

See Delinquency.

##### 55-Day Multi PC

A 55-Day Multi PC is a Participation Certificate (PC) in which the payments by Borrowers on the 55-Day Multi PC Securitized Mortgages are passed through, with a payment delay of 55 days, to the holders of the 55-Day Multi PCs.

##### 55-Day Multi PC Securitized Mortgages

55-Day Multi PC Securitized Mortgages are Mortgages that are pooled in 55-Day Multi PCs.

##### Accounting Net Yield

The Accounting Net Yield is the net yield rate that the Servicer uses to report and remit interest to Freddie Mac on a monthly basis. The Accounting Net Yield equals the Required Net Yield except for Mortgages sold to Freddie Mac at a discount or at a premium.

##### Active Mortgage

An Active Mortgage is a Mortgage on which the Borrower's payments are current, or a Delinquent Mortgage that has not been deactivated by the Servicer for accounting and reporting purposes.

##### Adjustable-rate Mortgage

See Floating-Rate Mortgage.

##### Adverse Action Notice

An oral or written communication to a Borrower informing them of the refusal to grant an application for an extension of credit that includes all the information required by law. See Section 10.13.

##### Acceptance Letter

An Acceptance Letter is used by Freddie Mac to indicate its acceptance of an early rate lock application with nonmaterial modifications. The Seller will be bound by the terms of any Acceptance Letter.



### Activity of Daily Living

See Section 21.2.

### Additional Actual Loan Amount

See Sections 19A.12(d) and 25A.8(b).

### Additional Actual Loan Amount Percentage

See Sections 19A.12(d) and 25A.8(b).

### Affiliated Persons of the Seller/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/Service, a change in the Control, directly or indirectly, of the management or policies of a Seller/Service, whether through ownership or transfer of ownership interests, by contract, or otherwise. A person is presumed to have such power if the person:

- Is a director, general partner, or Senior Management of the Seller/Service
- Directly or indirectly has the right to vote 10 percent or more of a class of a voting security of the company or has the power to sell or direct the sale of 10 percent or more of a class of voting securities of the company
- In the case of a limited liability company, is a managing member of the limited liability company; or
- In the case of a partnership, has the right to receive upon dissolution or has contributed 10 percent or more of the capital of the partnership

## Claims Made Policy Form

An insurance policy that covers claims first made (reported or filed) during the year the policy is in force for any incidents that occur that year or during any previous period during which the insured was covered under a “claims-made” contract. This form is in contrast to the Occurrence-based Policy Form.

## Commercial Property Assessed Clean Energy

Commercial Property Assessed Clean Energy is a tax lien financing program that is available to commercial, industrial and multifamily property owners to access affordable financing for qualifying energy efficiency and clean energy improvements to their properties.





## Common Equity

See Section 9.9(b).

## Complete Borrower/Key Borrower Principal Due Diligence Package

A Complete Borrower/Key Borrower Principal Due Diligence Package consists of:

- [Form 1115, Borrower and Key Borrower Principal Certificate](#);
- [Form 1116, Real Estate Schedule](#);
- Certified current financial statements for the Borrower and Key Borrower Principals;
- Credit report(s) for Guarantors that are individuals;
- [Form 1112, Borrower and Key Borrower Principal Blanket Certification](#); and
- Liquidity verification documentation, if applicable

The Complete Borrower/Key Borrower Principal Due Diligence Package is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.

## Conditions to Conversion

Conditions to Conversion is, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, Section 19A.12 (for Forward Commitments under Chapter 19A) or Section 25A.7 and 25A.8 (for Forward Commitments under Chapter 25A), and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.

## 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/](http://mf.freddiemac.com/lenders/purchase/).

### Eligible Institution

A depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which must meet the minimum rating requirements in Section 52.2(a).

### Energy Certification

Energy Certification is an energy certification and/or score of environmental energy savings given to the Green Improvements on the Property by applicable local, State or federal agencies or another nationally recognized building association.

### Energy Star® Score

ENERGY STAR® Score is the measure of energy performance provided for the Property by Portfolio Manager.

### Environmental Superlien Law

See Section 61.1(b).



### EPA 1-100 Water Score

EPA 1-100 Water Score is a measure of water performance provided for the Property by Portfolio Manager®.

### Equity Conflict of Interest

See Section 2.25.

### Exception(s)

Any exceptions to the Seller/Service Rep Representations and Warranties referenced in Section 5.13 of the Guide and found under the “Resources” section of the Legal Documents page at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal).

### Expiration Date

The Expiration Date is the date set forth in the Letter of Commitment by which the Seller must accept the Letter of Commitment and Rate Lock. The Expiration Date for an early rate lock application is or the expiration date of the Quote.

### Exclusionary List

The Exclusionary List is a confidential list compiled, maintained and distributed by Freddie Mac, containing names and other information concerning persons or entities that have been restricted or excluded from participating in transactions or doing business with Freddie Mac. The Exclusionary List is updated at least monthly by Freddie Mac.

Seller/Service Reps can access the Exclusionary List under “Quick Links” on the [Originate and Underwrite](#) and [Asset Management](#) web pages.

### Exempt Inspector

See Section 40.13(b).

### Fee Inspector Company

See Section 40.14.

### FHA Mortgage

An FHA Mortgage is a Mortgage insured by the FHA.

### Final Delivery Instructions

The Final Delivery Instructions are a detailed list of required Loan Documents and other items which, depending on the specific features of a Mortgage, may be required to be included with the Final Delivery Package. The Final Delivery Instructions are set forth in the following documents:

- For all non-SBL and non-TEL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents”





- For SBL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents – SBL”
- For TEL Mortgages, the applicable document referenced below:
  - Final Delivery Instructions and Final Delivery Package Table of Contents – Unfunded Forward Tax-Exempt Loan
  - Final Delivery Instructions and Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan
  - Final Delivery Instructions and Final Delivery Package Table of Contents – Immediate Funding Tax-Exempt Loan

Each of these documents are available at [mf.freddiemac.com/lenders/purchase/](https://mf.freddiemac.com/lenders/purchase/).

### Final Delivery Package

As further defined in Chapter 32, the Final Delivery Package is the complete set of the required Purchase and Servicing Documents set forth in Chapter 32 and in the Final Delivery Instructions, which set may be comprised of both hardcopies and electronic versions of such documents.

### Financial Crimes

Crimes to obtain personal or business advantage or that may result in conversion of property. Such crimes are generally characterized by fraud, deceit, concealment, or violation of trust and typically do not depend on the application of threat or physical force or violence. Examples include fraud, bribery, money laundering, 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](http://mf.freddiemac.com).

### **Funded Forward Commitment**

See Section 28A.2.

### **General Loan Information**

See Sections 40.11, 41.1(a), and 41SBL.1(a).

### **Gold PC**

A Gold PC is a Participation Certificate (PC) in which the payments by Borrowers on the Gold PC Securitized Mortgages are passed through, with a payment delay of 45 days, to the holders of the Gold PCs.

### **Gold PC Securitized Mortgages**

Gold PC Securitized Mortgages are Mortgages that are purchased under the Multifamily Negotiated Transactions Program or the Multifamily PC One<sup>SM</sup> Program and are pooled in Gold PCs.

### **Governmental Entity**

A Governmental Entity is an entity that is under Control of, under ownership of, is authorized by, or is itself a city, county, State, commonwealth, or federal government. With respect to subordinate debt, Freddie Mac considers a Governmental Entity to be an entity that provides third-party financing with the goal of expanding, preserving, maintaining, or otherwise promoting affordable multifamily housing.

### **Green Advantage®**

Green Advantage® is a Freddie Mac suite of offerings providing benefits to Borrowers who have made or plan to make their Properties more energy and water efficient.



### Green Assessment®

Green Assessment® is a report detailing proposed property-level improvements to promote utility consumption efficiency at the Property. It uses the ASHRAE Level 1 standard and otherwise meets the requirements set forth in Chapter 65. The report describes projected savings in terms of utility consumption and dollars saved per improvement item.

### Green Assessment Plus®

Green Assessment Plus® is report that contains the same information as the Green Assessment® but provides a more detailed analysis of projected savings in terms of utility consumption and dollars saved at the Property. It uses the ASHRAE Level 2 standard and otherwise meets the requirements set forth in Chapter 65.

### Green Certified

Green Certified is a benefit available for Properties that have a Green Building Certificate as set forth in Section 55.2 and that meet Freddie Mac affordability requirements.

### Green Consultant

Green Consultant is a certified environmental design/inspection or engineering firm that meets the requirements set forth in Chapter 65.

### Green Improvements

Green Improvements are the energy and water conservation measures selected by the Borrower from the list of qualifying conservation measures identified in a Green Report. These selected conservation measures are identified as Green Improvements in the Green Improvement Rider to the Loan Documents.

### Green Rebate

Green Rebate is a benefit available to a Borrower who provides an ENERGY STAR® Score but has not chosen any other Green Advantage® offering.

### Green Retrofits®

Green Retrofits is a loan option with benefits that may be available if the Borrower can certify that energy and/or water efficiency improvements are in place at the Property.

### Green Up®

Green Up® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment®.

### Green Up Plus®

Green Up Plus® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment Plus®.



### Ground Lease

See Section 30.1.

### Ground Lease Mortgage

See Section 30.1.

### Ground Lessee

See Section 30.1.

### Ground Lessor

See Section 30.2.

### Guarantor

Any person or entity that is liable under the Guaranty. (See also Foreign Guarantor)

### Guide

The Guide is the official version of the Multifamily Seller/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/](http://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/](http://mf.freddiemac.com/lenders/legal/). The Loan Documents include the following documents, together with any modifications and Riders to the documents:

- Note
- Loan Agreement
- Security Instrument
- Guaranty
- Omnibus Assignment
- All other documents used in connection with the origination or Servicing of Mortgages under Freddie Mac's programs and products.

The Legal Documents page of [mf.freddiemac.com](http://mf.freddiemac.com) includes a list of current Loan Documents. The revision date is indicated for each Loan Document.

## Loan Management Form

See Section 40.2.

## Loan-to-Value Ratio

The Loan-to-value Ratio is the relationship between the principal amount of the Mortgage and the value of the Property, expressed as a percentage of the value, as determined by Freddie Mac.



### Malicious Code

See Section 2.26(c).

### Mandatory Delivery Date

The Mandatory Delivery Date is the delivery date identified in the Letter of Commitment or early rate-lock application. The Seller must deliver the Final Delivery Package to Freddie Mac by noon Eastern time on the Mandatory Delivery Date.

### Mandatory Funding Date

Unless otherwise agreed upon, the Mandatory Funding Date is the date which is 15 days after the Mandatory Delivery Date; provided, however, that if such day is not a Business Day, then the Mandatory Funding Date will be the Business Day immediately preceding such date.

### Manufactured Housing Community Product

A program under which Freddie Mac Multifamily will purchase Mortgages secured by Manufactured Housing Communities, as described in Chapter 22.

### Manufactured Housing Resident-Owned Community

See Section 22.1(b).

### Master Forward Financing Agreement

The Master Forward Financing Agreement documents the general terms and conditions governing all Forward Commitments with a particular construction lender.

### Master Tenant

A Master Tenant is the tenant that operates the Property under a master lease. A master lease structure is usually used in a Shariah compliant loan or Delaware Statutory Trust loan.

### Material Modification

For the purposes of the early rate lock delivery option and the early rate lock application, a “Material Modification” is as defined in Chapter 27.

### Material Vendor

With respect to one or more Mortgages owned by Freddie Mac (*i.e.*, from Freddie Mac’s purchase until securitization or other disposition of such Mortgage(s)), a vendor engaged by the Servicer while Servicing such Mortgage or Mortgages on behalf of Freddie Mac that has the potential to create information security risk or compliance risk for Freddie Mac.

Refer to the Material Vendors [Material Vendors web page](#) for more details and examples of Material Vendors.



### **MHC Tenant Protections**

See Section 22.1(b).

### **MHC Tenant Protections Notification**

See Section 22.2(p).

### **Minimum Consumption Savings Threshold**

See Section 24.3(a).

### **Minimum Occupancy**

The minimum number of units at the Property that must have current leases that comply with the provisions of the Loan Agreement in order for a Borrower to undertake or continue certain Property Improvement Alterations. The Minimum Occupancy is expressed as a percentage in the Loan Agreement.

### **Minimum Origination Fee**

The Minimum Origination Fee is the minimum fee the Seller/Servicer must charge in connection with the origination of the Mortgage. The Minimum Origination Fee requirements are set forth in Section 17.1(f) for non-SBL Mortgages and in Section 18SBL.1(f) for SBL Mortgages.

### **Minority-Owned Business**

A Minority-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more Minority individuals; and
- At least 50 percent of the net profit or loss accrues to one or more Minority individuals

“Minority” is any individual who is Black or African American, American Indian or Alaska Native, Hispanic (or Latino) American, Asian, or Native Hawaiian or other Pacific Islander

### **Modification Letter**

The Modification Letter is used by Freddie Mac to propose material modifications to an early rate lock application.

### **Moderate Rehabilitation Mortgage**

See Section 17.4.

### **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<sup>®</sup>, ML-Deals<sup>SM</sup>, Q-Deals<sup>SM</sup>, SB-Deals<sup>®</sup>, and Multi PC<sup>®</sup> mortgage-backed securities and their underlying collateral.

### Multifamily Software Applications

The software applications that Freddie Mac provides to the Seller/Service provider in connection with the sale and the servicing of multifamily Mortgages. The Multifamily Software Applications include the following:

- Consent Request Tracker (CRT)
- Document Management System (DMS)
- Freddie Mac Access Manager (FAM)
- General Loan Information (GLI)
- Insurance Compliance Tool (ICT)
- Multifamily Eligibility System (MES)
- Multifamily Securities Investor Access tool (MSIA)
- Multifamily Seller/Service provider Guide via AllRegs<sup>®</sup> Online (Guide)
- myOptigo<sup>SM</sup>
- Origination and Underwriting System (OUS)
- Property Reporting System (PRS)
- Small Balance Loan Production Pipeline Manager (PPM)

### Net Operating Income

Net Operating Income is the income from a property's operations available for repayment of debt and return on equity to the owner after deducting economic vacancy and all expenses (exclusive of debt service).



### Nondelivery

A Nondelivery is any action or failure to act that prevents or will prevent the Seller from meeting the terms of a Commitment after acceptance or an early rate lock application after Rate Lock.

### Nonprofit Entity

A Nonprofit Entity is an entity that has been conferred tax-exempt status by the U.S. Internal Revenue Service. For Freddie Mac's purposes, a Nonprofit Entity must have a mission of owning, developing, operating, preserving, managing, or otherwise promoting affordable multifamily housing.

### Non-LIHTC Property

A Property that has affordability requirements outside of a LIHTC regulatory agreement and meets the requirements set forth in the term sheets available at [mf.freddiemac.com](http://mf.freddiemac.com) for Non-LIHTC Forwards, Preservation Rehabilitation Financing for Non-LIHTC Properties or Non-LIHTC Bridge, as the context may require.

### Non-Scope Issues

See Section 61.2(b).

### Non-U.S. Equity Holder

A Non-U.S. Equity Holder is any non-U.S. person or entity with a collective equity interest (whether direct or indirect) in Borrower equal to or exceeding 10 percent. A Non-U.S. Equity Holder is subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in this Guide including those identified in Chapters 2, 9, 41, 43, and 44.

A Non-U.S. Equity Holder that is a Key Borrower Principal is required to submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

A Non-U.S. Equity Holder with a 25 percent or greater interest in the Borrower will be considered a Borrower Principal.

All Non-U.S. Equity Holders must be named on the Organizational Chart.

### Note

A Note is the instrument evidencing the indebtedness secured by a Security Instrument, and includes, for bond credit enhancement transactions, the reimbursement agreement evidencing the obligations secured by the reimbursement mortgage and the bond mortgage note evidencing the obligations secured by the bond mortgage.

### Occurrence-based Policy Form

A policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made. Most property and commercial general liability insurance is written on an Occurrence-based Policy Form, which may also be referred to as a "per occurrence" policy form.





## Operator

An Operator (sometimes referred to as the “Lessee”) is an entity that operates the Property under a master operating lease. Operating leases are frequently used in the Seniors Housing industry. An Operator may be affiliated with the Borrower or may be an unrelated third-party Operator.

## Opinion Analysis

See Section 29.5(c).

## Optigo Lender

An Optigo Lender is a lender that meets Freddie Mac's eligibility requirements, including the net worth requirements in Section 3.3, and has been approved by Freddie Mac to sell multifamily Mortgages to Freddie Mac and to service those Mortgages. Optigo Lenders may be approved as one or more of the following designations:

- Optigo Conventional Lender
- Optigo TAH Lender
- Optigo SBL Lender
- Optigo Seniors Housing Lender

See Section 2.10 and Chapter 3 for more information concerning Optigo Lenders.

In the Guide, an Optigo Lender is referred to as a Seller/Servicer, Seller or Servicer.

## Origination Date

The Origination Date is the date of the Note.

## Organizational Chart

An Organizational Chart for the Borrower, Guarantor not in the Borrower's organizational structure, Master Tenant (if applicable) or Operator (if applicable) must include the elements set forth in the Guidance – Organizational Charts that can be found on [mf.freddiemac.com](https://mf.freddiemac.com).

## Origination and Underwriting System

A Multifamily Software Application that automates the workflow involved in processing loan applications from receipt of the Loan Submission Template through the underwriting process.

## Participation Certificate

A Participation Certificate represents an undivided interest in specified Mortgages purchased by Freddie Mac from a single Seller, either for cash or in exchange for Participation Certificates, and placed in a discrete pool bearing a unique Participation Certificate pool number. Participation Certificates are offered only in book-entry form.



### **Pledged Mortgage**

See Section 33.1.

### **Portfolio Manager®**

Portfolio Manager® is an online tool used to measure and track energy and water consumption at the Property. Portfolio Manager is located on the ENERGY STAR® website of the EPA.

### **Potential Life Safety Hazard**

A Potential Life Safety Hazard is a hazard with a lower capacity to cause harm or consists of a condition that could become harmful. A Potential Life Safety Hazard is also of concern but does not represent the same immediacy of risk for tenants as an Imminent Life Safety Hazard. Potential Life Safety Hazards include conditions that will be recognized by most residents and avoided, including trip hazards or conditions that represent a risk only in special circumstances, such as an out-of-date fire extinguisher.

Potential Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Potential Life Safety Hazards and the inspector must exercise judgement to determine the Hazard category.

See also Life Safety Hazard.

### **PR-90 Repairs**

See Sections 62.3(b) and 62SBL.3(b).

### **Pre-Approved Transferee**

Any person or entity that is pre-approved by lender to assume Ultimate Control (direct or indirect) of Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant.

### **Preferred Equity**

See Section 9.9(b).

### **Preferred Equity Return**

See Section 9.9(b).

### **Preliminary legal issues memorandum**

See Section 6.4.

### **Preservation Rehabilitation**

See Section 19.2(e).



## Principal

A Principal, for purposes of Freddie Mac's policy concerning the exclusion of certain persons from participating in transactions or doing business with Freddie Mac, may be:

- A Seller/Servicer, or
- A person with substantial management or supervisory responsibilities within a Seller/Servicer's organization, or
- A person with critical influence on or substantive Control over any material aspect of a Mortgage purchase or Servicing transaction or any function related to such a transaction

There are three categories of principals:

- Seller/Servicers
- Officers, directors, owners, partners, key employees or other persons within a Seller/Servicer's organization who have substantial management or supervisory responsibilities. Suspended or excluded persons within this category are presumed to have critical influence on or substantive Control over all the organization's Mortgage purchase or Servicing transactions.
- Principals, consisting of any other person (whether an individual or an entity) who has a critical influence on or substantive Control over any material aspect of a Mortgage purchase transaction or a Servicing transaction or any function related to such a transaction. Such a Principal may be an employee of a Seller/Servicer, a third-party provider of services to a Seller/Servicer or an employee of a third-party provider of services. Persons who have a critical influence on or substantive Control over Mortgage purchase transactions or Servicing transactions or related functions include loan officers, underwriters, appraisers, inspectors, real estate agents and real estate brokers.

## Priority Repairs

See Sections 62.3(b) and 62SBL.3(b).

## Private Entity

A Private Entity is an entity such as a partnership, limited liability company, private real estate fund, LIHTC fund or private REIT whose shares are not traded on a public exchange. A Private Entity can Control who purchases the ownership interests in such entity.

## Private Investment Fund

A U.S. private company that invests capital from different investors in various assets, including direct and indirect equity interests in real estate. To qualify as a Private Investment Fund, the entity must have each of the following:

- A minimum of \$50,000,000 in capital commitments
- Liquid assets of at least \$750,000



- A minimum net worth of \$5,000,000
- A management team with all of the following:
  1. At least 10 years of collective experience managing multifamily properties,
  2. At least 10 multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively
  3. At least \$100,000,000 in multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively

### Private Transfer Fee

A Private Transfer Fee is any fee, charge or payment imposed by a Private Transfer Fee Covenant due in connection with a transfer of title to a Property. A Private Transfer Fee is payable each time a Property is transferred for a set period of time or indefinitely. The Private Transfer Fee can be a fixed amount or a percentage of the Property's sale price. A Private Transfer Fee does not include:

- A charge payable to the federal, State or local government
- A charge that defrays the actual cost of the transfer of the Property, such as transfer of membership in a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) or 501(c)(4) organization
- A charge payable to a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) and 501(c)(4) organization that is used exclusively to provide a direct benefit to the Property

### Private Transfer Fee Covenant

A Private Transfer Fee Covenant is any covenant, restriction or other similar document that (i) purports to run with the land or to bind current and future owners whether or not such covenant is recorded and (ii) imposes a Private Transfer Fee upon transfer of all or part of the Property, as defined in 12 C.F.R. Part 1228. A Private Transfer Fee Covenant can be attached to a Property by the original developer or another third party.

### Prohibited Substances

Prohibited Substances are any drugs or controlled substances whose use, manufacture, distribution or possession are prohibited by any law, whether federal, state or local law.

### Project Loan

For a Cash Funded Forward Commitment, the Project Loan is Freddie Mac's loan to the construction lender.

### Property

The Property is the land, improvements and fixtures that are, or will be, subject to the lien of a Mortgage.



## Property Improvement Alterations

Alterations and additions to the improvements existing at or upon the Property, as more fully defined in the Loan Agreement. Repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents are not considered to be Property Improvement Alterations.

## Property Improvement Alterations Notice

A notice to the lender from the Borrower pursuant to the terms of the Loan Agreement that the Borrower intends to begin the Property Improvement Alterations specified in the Property Improvement Alterations Notice.

## Property Reporting System

See Section 40.2.

## Public Company

A Public Company is a company whose shares are traded on a public exchange or an over the counter exchange. A Public Company does not Control who purchases its shares after the initial public offering. A pension fund that is not privately controlled is also a Public Company.

## Public Records Searches

See Section 2.28.

## Purchase Contract

The Purchase Contract is an agreement between the Seller and Freddie Mac covering the purchase of a specific Mortgage or Mortgages, the Seller's obligation to deliver such Mortgages on a mandatory basis (unless otherwise noted in the Letter of Commitment or early rate-lock application), the delivery period and the Servicing after Freddie Mac's purchase of the Mortgage. The Purchase Contract may be a

1. Purchase agreement
2. Letter of Commitment (as it may be amended) fully accepted by the Seller
3. Early rate-lock application (as modified or adjusted) fully accepted by Freddie Mac
4. Other offer by Freddie Mac to purchase, fully accepted by the Seller
5. Other offer by Seller to sell, fully accepted by Freddie Mac

## Purchase Contract Date of Acceptance

The Purchase Contract Date of Acceptance is the date the Seller accepts Freddie Mac's offer as stated in a Purchase Contract.



## Purchase and Servicing Documents

The Purchase and Servicing Documents applicable to a Mortgage are the following:

1. The Purchase Contract, including all Exhibits
2. The separate Servicing Agreement, if any
3. The official version of the Guide
4. Any agreement pursuant to which a Seller or affiliate of a Seller provides a guaranty or any form of credit enhancement in connection with the sale of Mortgages to Freddie Mac
5. Additionally, for Delegated TAH Mortgages, the Seller/Servicer's Delegated TAH Master Agreement and the TAH Guide in effect at the time of underwriting
6. Any Servicing transaction approval issued by Freddie Mac to a Servicer

The Guide and all of its terms are incorporated by reference into, and constitute part of, each Purchase Contract. A Seller must sell Mortgages in accordance with the terms of each Purchase Contract entered into between the Seller and Freddie Mac.

A Seller/Servicer must service each Mortgage that the Seller/Servicer has sold to Freddie Mac and has agreed to service for Freddie Mac in accordance with the standards set forth in the Guide (including amendments to Servicing provisions of the Guide that Freddie Mac has made since Freddie Mac purchased the Mortgage) and any applicable Purchase Contract. All of a Seller/Servicer's obligations to service Mortgages for Freddie Mac will be considered to constitute, and will be performed pursuant to, a unitary, indivisible master Servicing contract, and the Servicing obligations assumed under any Purchase Contract will be deemed to be merged into, and will be performed under, the same unitary, indivisible master Servicing contract. The Seller/Servicer agrees that any failure to service any Mortgage in accordance with the terms of the unitary, indivisible master Servicing contract, or any breach of any of the Seller/Servicer's obligations under any aspect of the unitary, indivisible master Servicing contract, will be deemed to constitute a breach of the entire contract and will entitle Freddie Mac to terminate the contract.

If a Servicer who services Mortgages for Freddie Mac is not also the Seller of the Mortgages to Freddie Mac, the Servicer must agree to service Mortgages for Freddie Mac by separate agreement, which incorporates the Guide and any applicable Purchase Contract by reference. In such case, the separate agreement shall be deemed to be one of the "Purchase and Servicing Documents," which constitute the unitary, indivisible master Servicing contract.

## Quote

A Quote is Freddie Mac's non-binding statement of proposed Mortgage Financial Terms. A Quote does not require the Seller to submit a full underwriting package, nor does it bind Freddie Mac to purchase a Mortgage.

## Rapid Growth Sponsor

See Sections 9.2(d) and 9SBL.2(c)(3).



### Rate Lock

Rate Lock is the procedure in which Freddie Mac agrees to hold the yield rate on the applicable U.S. Treasury index, net spread to Freddie Mac and Servicing Spread for a fixed rate Mortgage (Interest Rate Lock) and to hold the net spread to Freddie Mac and Servicing Spread for a Floating-Rate Mortgage (Spread Rate Lock).

### Rate Lock Call

The Seller must call the person whose name is set forth in the Letter of Commitment or early rate lock application to Rate Lock and confirm all of the other terms of the Mortgage, including the term, amortization period and prepayment period. Even though the interest rate for a Floating-Rate Mortgage cannot be Rate Locked, the Seller must complete a Rate Lock Call in order to confirm all of the terms of the Mortgage.

### Rate Reset

A Rate Reset Mortgage is a Mortgage with a five-year term, during which there is an option to extend the term of the Mortgage for an additional five years at a reset interest rate.

### Rating Agencies

Rating Agencies are Fitch, Inc.; Moody's Investors Service, Inc.; Dominion Bond Rating Service (DBRS); Realpoint LLC; or Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor entity of the foregoing, or any other nationally recognized statistical rating organization.

### Real Estate Owned

Real Estate Owned is property acquired through foreclosure or deed in lieu of foreclosure.

### Redemption Date

See Section 9.9(c).

### Regulatory Agreement

An agreement with a governmental entity that places income, rent or other use restrictions on all or selected units of a Property for a given period.

### Rejection; Reject

A Rejection is Freddie Mac's determination that it will not accept the early rate lock application submitted by the Seller.

### Repair Reserve

A Repair Reserve is a Reserve established to hold funds allocated for the completion of repairs, rehabilitation or incomplete items of construction. The Repair Reserve can be established by a Repair Escrow Agreement, a Repair and Escrow Agreement or by a Rider to the Loan Agreement that establishes a Repair Reserve.

### Replacement Cost Value

See Section 31.1(d).





## Replacement Reserve

A Replacement Reserve (also referred to as a Replacement Reserve Fund or Replacement Reserve Escrow) is a Reserve established to hold funds allocated for the replacement of capital items. A Replacement Reserve can be established by a Replacement Reserve Agreement or by a Rider to the Loan Agreement establishing a Replacement Reserve.

## Required Net Yield

The Required Net Yield is the amount of interest Freddie Mac receives from each Mortgage it purchases.

## Reserve

Reserve is all funds, other than principal and interest, collected to cover expenses to be paid under the Mortgage, including hazard insurance premiums and taxes, special assessments, ground rents, water and sewer charges, any other charges that are or may become first liens on the Property, payments for fees for a subsequent third-party interest rate cap agreement, and any other escrow or reserve established under the terms of the Mortgage or the Loan Documents.

## Restricted Multiple Asset Entity

As further defined in Chapter 9SBL, a Restricted Multiple Asset Entity is a Borrower that is structured so that it:

- Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property (as defined in the Security Instrument), the Permitted Property (as defined in the Loan Agreement – SBL), and such Personality (as defined in the Security Instrument) as may be necessary for the operation of the Mortgaged Property and the Permitted Property and will conduct and operate its business as presently conducted and operated
- Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and the Permitted Property and activities incidental to such ownership, operation and maintenance

## Restricted Non-Residential Use

A Restricted Non-Residential Use is any use or operation of the leased premises that may adversely impact (i) the health and safety of the tenants or other individuals at the Mortgaged Property, or (ii) the value, occupancy or rents of the Mortgaged Property, all as determined by Lender in Lender's discretion. Restricted Non-Residential Uses include the following:

- The disposition, distribution or sale of Prohibited Substances or any establishment whose primary business is the sale of merchandise normally used or associated with Prohibited Substances
- Any establishment whose primary business is the disposition, distribution, sale or viewing of adult or pornographic materials or activities, including strip clubs and adult bookstores
- Any use involving the disposition or sale of Hazardous Materials
- Any establishment whose primary business is gambling or off-track betting



- Any establishment whose primary business is the sale of alcoholic beverages for off-site consumption

### **Risk Rating**

A designation Freddie Mac gives to a Mortgage to reflect Freddie Mac's current risk outlook associated with the Mortgage. Risk Ratings for all Mortgages in the retained portfolio are currently between three and 10 with three deemed the lowest level of risk associated with a Mortgage and 10 being the highest level of risk.

### **Scheduled Interest**

Scheduled interest is the monthly interest scheduled to be paid under the amortization schedule applicable to the Mortgage.

### **Scheduled Principal**

Scheduled Principal is the monthly principal scheduled to be paid under the amortization schedule applicable to the Mortgage, calculated in accordance with Section 53.1.

### **Schedule of Values**

See Section 31.1(d).

### **Scope Issues**

See Section 61.2(b).

### **Securitization**

Securitization is the transaction in which the Note for a Mortgage is assigned to a REMIC (Real Estate Mortgage Investment Conduit), grantor trust or partnership trust.

### **Security Incident**

See Section 2.26(c).

### **Security Instrument**

A Security Instrument is an instrument (mortgage, deed of trust, deed to secure debt) creating a valid lien on real estate.

### **Seller**

Unless the context otherwise requires it, the term "Seller," as used in the Guide and the other Purchase and Servicing Documents, refers to an Optigo Lender or a Multifamily Structured Transaction Lender acting in its capacity as a Seller of Mortgages to Freddie Mac.



## Servicer

Unless the context otherwise requires it, the term “Servicer,” as used in the Guide and the other Purchase and Servicing Documents, refers to an entity acting in its capacity of Servicing multifamily Mortgages for Freddie Mac. A Servicer may be an Optigo Lender, a Multifamily Structured Transaction Seller/Servicer, a Servicer approved on a Servicing-only basis, or a Servicing Agent.

## Seller/Servicer

Unless the context otherwise requires it, the term "Seller/Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to a Seller, a Servicer or an Optigo Lender.

## Seller Application

Seller Application is the application between the Seller/Servicer and the Borrower for the Seller/Servicer to make a loan to the Borrower to be secured by the Property and to be sold to Freddie Mac.

## Seniors Housing Liability Assessment

See Section 21.2.

## Seniors Housing Mortgage

See Section 21.2.

## Senior Management

A natural person who serves as one of the following positions for a Seller/Servicer:

- Owner
- President
- Vice President or other officer in charge of managing or overseeing any aspect of the Seller/Servicer's Freddie Mac business
- Chief Executive Officer (CEO)
- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- Chief Information Officer (CIO), Chief Technology Officer (CTO), or Chief Information Security Officer (CISO)
- Chief Risk Officer (CRO)
- Corporate Secretary
- General Counsel
- Director
- Chairman of the Board
- General Partner; or
- Member or manager of an LLC



## 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.

# Multifamily Seller/Service Guide

## Glossary and List of Commonly Used Acronyms



### Commonly Used Acronyms

#### AIF

Annual Inspection Form

#### AMI

Area Median Income

#### AML

Anti-Money Laundering

#### ARM

Adjustable-Rate Mortgage

#### ASTM

American Society for Testing and Materials. See Chapters 61, 62, 64 and 66.

#### CCRC

Continuing Care Retirement Community

#### C-PACE

Commercial Property Assessed Clean Energy

#### Co-op

Cooperative

#### CRT

Consent Request Tracker

#### DCR

Debt Coverage Ratio

#### DDLPI

Due Date of Last Paid Installment



**DBRS**

Dominion Bond Rating Service

**DMS**

Document Management System

**ECOI**

Equity Conflict of Interest

**EGI**

Effective Gross Income

**EPA**

The United States Environmental Protection Agency

**EPSH**

Employer Enabled Permanent Supportive Housing

**FAM**

Freddie Mac Access Manager

**FEMA**

Federal Emergency Management Agency

**FHA**

Federal Housing Administration

**FIC**

Fee Inspector Company

**GLI**

General Loan Information

**ICT**

Insurance Compliance Tool



**LIA**

Legal Issues Analysis

**LIHTC**

Low-Income Housing Tax Credit

**LMF**

Loan Management Form

**LST**

Loan Submission Template

**LTV**

Loan-to-Value

**MAE**

Multiple Asset Entity

**MES**

Multifamily Eligibility System

**MHC**

Manufactured Housing Community

**MHROC**

Manufactured Housing Resident-Owned Community

**MMP**

Moisture Management Plan

**MSIA**

Multifamily Securities Investor Access tool

**MTNA**

Mortgage Transaction Narrative Analysis



**NOI**

Net Operating Income

**OFAC**

Office of Foreign Assets Control

**OUS**

Origination and Underwriting System

**PC**

Participation Certificate

**PLIM**

Preliminarily Legal Issues Memorandum

**PPM**

Small Balance Loan Production Pipeline Manager

**PRS**

Property Reporting System

**RCV**

Replacement Cost Value

**REIT**

Real Estate Investment Trust

**REO**

Real Estate Owned

**Restricted MAE**

Restricted MAE

**S&P**

Standard and Poor's



**SAE**

Single Asset Entity

**SBL**

Small Balance Loan

**SFHA**

Special Flood Hazard Area

**SOV**

Schedule of Values

**SPE**

Single Purpose Entity

**TAH**

Targeted Affordable Housing

**TEL**

Tax-Exempt Loan

**TIV**

Total Insurable Value

**UPB**

Unpaid Principal Balance

**WAC**

Weighted Average Coupon

**WARM**

Weighted Average Remaining Maturity