



# Appendices

2017 Seniors Housing Seller Workshop





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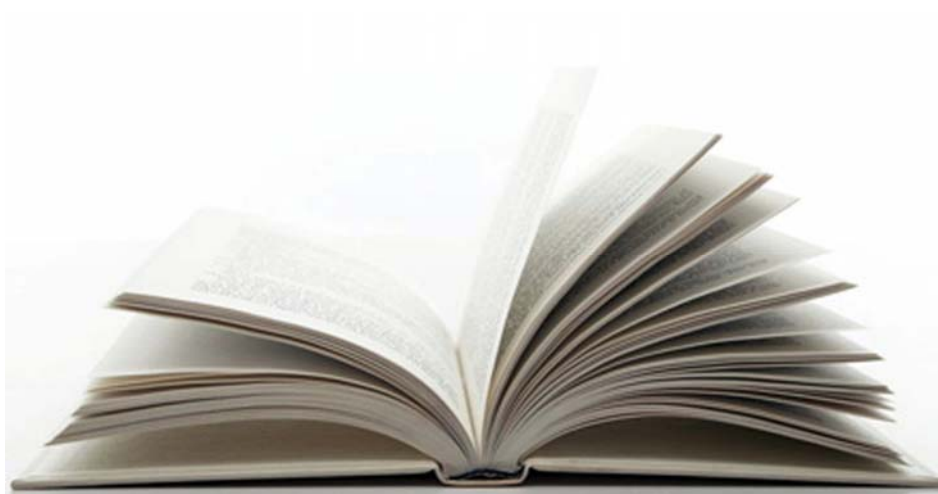


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# Appendix A: Seniors Housing Contact Sheet





## Seniors Housing Contact Sheet



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## Appendix B: Term Sheets

1. Early Rate-Lock
2. Fixed-Rate Loan
3. Float-to-Fixed
4. Floating-Rate Loan
5. Green Advantage
6. Index Lock
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10. Single-Sponsor Execution
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12. Value-Add







## Early Rate-Lock

Eliminates interest rate risk early in the mortgage approval process

Provides peace of mind for borrowers that are concerned about market volatility

### What is an early rate-lock?

- Borrowers can lock the interest rate for a fixed-rate mortgage or the spread for a floating-rate mortgage, establish the mortgage amount, and set other key provisions of a proposed mortgage within two to five days after our preliminary underwriting review and long before the Seller submits the full underwriting package.
- After rate-lock and full underwriting, some aspects of the transaction can be modified if necessary.

### Benefits of an early rate-lock

- Fast and efficient – The limited amount of information that the borrower needs to submit in the preliminary underwriting package enables our underwriter to review the package more quickly and move mortgages quickly through the process

Additional factors can further speed decisions, including:

- Repeat borrowers that have completed other deals within the last 12 months
- Our familiarity with the property's market
- Cost savings – Savings can be significant when interest rates and/or spreads are rising
- Flexibility – At full underwriting, after rate lock:
  - Borrower can increase the loan amount by up to 5 percent provided positive net operating income (NOI) growth is demonstrated
  - There is no breakage fee for decreases in the loan amount that are within 5 percent of the preliminary underwriting amount due to decreases in NOI, appraised values that are lower than the underwritten value, etc.

### Eligible products

- Conventional cash loans, including supplemental loans and refinances
- Targeted Affordable Housing cash transactions

## How early rate-lock works

### Preliminary quote

- Seller submits the Loan Submission Template (LST) and requests quote.
- Freddie Mac Production reviews the submission and obtains the pricing quote.
- Seller reviews and accepts quote, and requests early rate-lock.

### Preliminary underwriting package

- Seller provides all documents for an early rate-lock execution detailed in the *Seller/Service Guide*, Exhibit 1: Underwriting Checklists.
- For properties with special circumstances or special features, Seller also submits the applicable documents listed in the Addendum to Part A.

### Rate-lock

- After Freddie Mac preliminary underwriting and due diligence are complete and the loan has been approved for rate-lock, Freddie Mac provides the Seller with the maximum mortgage amount, term, amortization, net spread, servicing fee, prepayment terms, and non-standard provisions.
- Freddie Mac provides the early rate-lock application (ERLA) to Seller; Seller signs and returns all applicable portions of the application.
- Once the ERLA is executed, Seller calls the Freddie Mac regional office during the time period set forth in the ERLA to lock the terms contained in the ERLA.

### After rate-lock

- By 2:00 pm ET on the business day following interest rate-lock, Seller must remit to Freddie Mac a good-faith deposit equal to 2 percent of proposed loan amount. (Note: on the refinance of an existing Freddie Mac portfolio loan, borrowers may post a demand note in lieu of a good-faith deposit and provide the non-refundable application fee in cash.)
- Seller must execute Exhibit A of the ERLA to indicate acceptance of terms and return to Freddie Mac within two business days.
- Within the specified time frame, Seller must deliver the full underwriting package to Freddie Mac, including all documents detailed in the *Seller/Service Guide*, Exhibit 1: Underwriting Checklists, as well as any applicable documentation noted in Addendum to Part B.

### For more information

To take advantage of our early rate lock option, contact a [Freddie Mac Seller](#) or your Freddie Mac representative.





## Fixed-Rate Loan

### Fast and Flexible Funding for a Wide Array of Properties

With our fixed-rate loan, you get a flexible, streamlined financing solution and certainty of execution for the acquisition or refinance of multifamily housing properties. Borrowers have a variety of options to suit their individual needs.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](http://FreddieMac.com/multifamily/lenders)**

#### PRODUCT SNAPSHOT

- Generally \$5 million to \$100 million; however larger or smaller loan amounts are considered
- Limited partnership, corporation, limited liability company or tenancy in common
- If greater than \$5 million, borrower must be a Single Purpose Entity (SPE)
- Under \$5 million, borrower may be Single Asset Entity
- We support eligible mixed-use properties

Freddie Mac Multifamily  
**Green Advantage<sup>SM</sup>**

Our new Freddie Mac Multifamily **Green Advantage<sup>SM</sup>** initiative rewards borrowers who improve their properties to save energy or water.



## Fixed-Rate Loan ▶ Conventional

<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>■ Borrower may be a limited partnership, corporation, limited liability company or a tenancy in common (TIC) with 10 or fewer tenants in common</li> <li>■ General partnerships, limited liability partnerships, REIT's and certain trusts may also be acceptable in limited circumstances, subject to additional requirements</li> <li>■ Borrower must usually be a Single Purpose Entity (SPE) (see Section 6.13 of the Loan Agreement for basic SPE requirements); however, on loans less than \$5 million, upon borrower's request, a borrower other than a TIC may be a Single Asset Entity instead of a SPE</li> <li>■ If the borrower is structured as a tenancy in common (TIC), each tenant in common must be an SPE</li> </ul>
<b>Eligible Properties</b>	Standard multifamily housing, student housing, seniors housing, manufactured housing communities, cooperative housing and Targeted Affordable Housing cash (e.g., LIHTC Year 4-10 and 11-15, Section 8) loans. Loans may be used for acquisition or refinance.
<b>Terms</b>	■ 5- to 10-year terms (up to 30 years if loan is not purchased for securitization)
<b>Amount</b>	Generally, \$5 to \$100 million (larger and smaller loans will be considered)
<b>Maximum Amortization</b>	30 years
<b>Amortization Calculations</b>	Actual/360 standard; 30/360 available
<b>Lockout Period</b>	2 years following securitization
<b>Prepayment Provisions</b>	Yield maintenance until securitized followed by 2-year lock out; defeasance thereafter. No prepayment premium for final 90 days. If loan is not securitized within first year, then yield maintenance applies until the final 90 days. Yield maintenance without defeasance is available for securitized loans at an additional cost
<b>Tax and Insurance Escrow</b>	Generally required
<b>Replacement Reserve Deposit</b>	Generally required
<b>Recourse Requirements</b>	Non-recourse except for standard carve-out provisions
<b>Supplemental Loan Availability</b>	Yes, subject to requirements specified in the Loan Agreement
<b>Application Fee</b>	Greater of \$2,000 or 0.1% of loan amount for conventional first mortgages; seniors housing loans are > \$5,000 or 0.15% of loan amount; supplemental loans are > \$5,000 or 0.1% of loan amount and Targeted Affordable Housing loans are > \$3,000 or 0.1% of loan amount

## Fixed-Rate Loan ▶ Conventional

<b>Lock Options</b>	Early rate-lock option available for varying durations, typically ranging from 60 to 120 days until Freddie Mac purchase; Index Lock option is also available. Sellers should consult with their regional Freddie Mac representative to determine eligibility
<b>Refinance Test</b>	No <a href="#">Refinance Test</a> is necessary if the loan has an amortizing debt coverage ratio (DCR) of 1.40x or greater and a loan-to-value (LTV) ratio of 65% or less; all partial-term interest-only loans must pass the Refinance Test

### Loan-to-Value (LTV) Ratios and Amortizing<sup>1</sup> Debt Coverage Ratios (DCR)

Fixed-Rate Base Conventional Maximum LTV and Minimum DCR <sup>2</sup>	(For specific product adjustments, refer to individual term sheets)		
	Amortizing	Partial-Term Interest-Only	Full-Term Interest-Only
≥ 5-Year and < 7-Year Term	75% / 1.30x	75% / 1.30x	65% / 1.40x
7-Year Term	80% / 1.25x	80% / 1.25x	70% / 1.35x
> 7-Year Term	80% / 1.25x	80% / 1.25x	70% / 1.35x

<sup>1</sup> The DCR calculated for the partial-term interest-only and full-term interest-only period uses an amortizing payment.

<sup>2</sup> Adjustments may be made depending on the property, product and/or market.

<sup>3</sup> For partial-term interest-only loans, there must be a minimum amortization period of 5 years for loans with terms greater than 5 years. Acquisition loans with 5-year terms may have up to 1 year of partial-term interest-only. For terms of 10 years or more, loans may have interest only in an amount equal to no more than half of the loan term.



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January 2017



## Float-to-Fixed Rate Loan (Two-Plus-Seven)

### More Cash Up Front, When You Need It

We call the float-to-fixed rate loan a “two-plus-seven” because payments during the first two years of the loan are floating-rate and interest-only, and then the following seven years of the loan have a fixed rate. The borrower receives superior cash-on-cash returns through the first two years and can lock in a historically-low coupon for the life of the loan at the initial closing.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we’re here to help.

#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](http://FreddieMac.com/multifamily/lenders)**



#### PRODUCT SNAPSHOT

- Borrowers must be well-qualified
- Available with all conventional and targeted affordable housing products that do not include student or seniors housing financing
- Loans as high as \$50 million
- Standard delivery only; not eligible for early rate or spread locks
- We support eligible mixed-use properties

Freddie Mac Multifamily  
**Green Advantage<sup>SM</sup>**

Our new Freddie Mac Multifamily **Green Advantage<sup>SM</sup>** initiative rewards borrowers who improve their properties to save energy or water.

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## Float-to-Fixed Rate Loan (Two-Plus-Seven) ► Conventional, Targeted Affordable

<b>Eligible Borrowers</b>	Well-qualified borrowers	
<b>Eligible Products</b>	Conventional products (not including student or seniors housing loans)	
<b>Amount</b>	Maximum of \$50 million	
<b>Delivery Options</b>	Standard delivery only; not eligible for early rate lock	
<b>How It Works</b>	<ul style="list-style-type: none"> <li>■ Floating-rate period: 2 years <ul style="list-style-type: none"> <li>– Interest-only (IO), uncapped, locked-out/no prepayments</li> <li>– No supplemental loans during floating-rate period</li> </ul> </li> <li>■ Fixed-rate period: 7 years <ul style="list-style-type: none"> <li>– Amortizing loan with defeasance; securitization-ready</li> <li>– Supplemental loans are allowed beginning the second year of the fixed-rate</li> </ul> </li> <li>■ Underwriting <ul style="list-style-type: none"> <li>– Compliant with current credit parameters</li> <li>– Sized based on fixed rate</li> <li>– Must pass Refinance Test using aggregated term (2 years floating plus 7 years fixed) with 2 years of IO</li> </ul> </li> <li>■ Pricing <ul style="list-style-type: none"> <li>– Terms (subject to revisions due to market fluctuations) <ul style="list-style-type: none"> <li>▫ Floating rate: LIBOR + 300 bps (net spread)</li> <li>▫ Fixed rate: 7-year fixed pricing + 50 bps</li> <li>▫ At conversion from floating-rate to fixed-rate loan, the cost of updated third-party reports will be paid for by Freddie Mac and included in the pricing</li> </ul> </li> <li>– Process / Approach <ul style="list-style-type: none"> <li>▫ Fixed rate is locked when the spread on the floating rate is locked; pricing includes the cost of locking the fixed rate</li> <li>▫ Includes cost of third-party reports, unless the borrower seeks additional proceeds at conversion</li> <li>▫ No future rate adjustments</li> </ul> </li> </ul> </li> <li>■ Conversion to fixed rate <ul style="list-style-type: none"> <li>– Conversion of floating rate to fixed rate is automatic</li> <li>– Updated third-party reports required prior to conversion to fixed rate for purposes of securitization</li> <li>– If the original loan (with no additional proceeds) fails to meet Freddie Mac's credit parameters, Freddie Mac retains the right to restructure the transaction via a split note if necessary at the time of securitization</li> </ul> </li> <li>■ Additional Proceeds at Conversion <ul style="list-style-type: none"> <li>– Additional loan proceeds permitted via a supplemental mortgage (pari passu); any additional proceeds will be priced at then first mortgage pricing</li> <li>– Freddie Mac must receive request for additional proceeds no less than 150 days prior to conversion</li> <li>– If borrower requests additional proceeds at conversion, the borrower must pay for the third-party reports</li> </ul> </li> </ul>	



## Float-to-Fixed Rate Loan (Two-Plus-Seven) ► Conventional, Targeted Affordable

### Transaction Example

As illustrated in the example<sup>1</sup> below, our float-to-fixed execution produces superior cash-on-cash returns that are superior to either the 10-year or 7-year fixed-rate executions.

Product	3-Year Average Cash-on-Cash Returns	Year 1	Year 2	Year 3
Float-to-Fixed	17.43%	19.62%	21.24%	11.43%
10-year Fixed	14.54%	14.99%	16.62%	12.00%
7-Year Fixed	13.39%	16.21%	11.14%	12.83%

Assumptions <sup>1</sup>				
10-yr fixed note rate <sup>2</sup>	4.30%	Rate Stack (7-yr)		Rate Stack (10-yr)
7-yr fixed note rate <sup>2</sup>	4.00%	2.15%	Current US Treasury	2.70%
7-yr fixed note rate (float-to-fixed + 50 bps) <sup>2</sup>	4.50%	1.85%	Gross spread	1.60%
1-month LIBOR rate	0.16%			
Net spread	3.00%		Year One	Applied Growth Rate
Margin	3.16%	Revenue:	\$3,000,000	3.00% (Income)
Loan amount	\$18,500,000	Expenses:	\$1,500,000	4.00% (Expense)
Value	\$23,125,000	Net operating income:	\$1,500,000	
Initial equity	\$4,625,000	Float-to-fixed debt service:	\$592,719	
Amortization period (months)	360	10-yr fixed debt service:	\$806,549	
Interest calculation	Act/360	7-yr fixed debt service:	\$750,278	
Discount rate	10.00%			
Terminal cap rate	7.50%			
Selling costs	3.50%			
Cap rate	6.49%			

<sup>1</sup> Modeled on a sample/actual transaction.

<sup>2</sup> Float-to-fixed and 10-year scenarios assume 2 years of interest only; 7-year scenario assumes 1 year of interest only.



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### Operational Questions/Answers

**Question: What happens if prior to commitment the loan type changes from a float-to-fixed deal to a standard floating or fixed-rate deal, or the reverse?**

Answer: If the deal changes, the Seller must submit a new Loan Submission Template (LST) (e.g., from 1.6 to 2.2)

**Question: Do Sellers submit one or two LSTs?**

Answer: Sellers should submit one fixed-rate LST; Sellers should not create a combined floating-rate and fixed-rate LST.

**Question: Will there be one or two loan numbers?**

Answer: When the Seller uploads the fixed-rate LST through OUS, it creates a fixed-rate loan number. However, the loan number that is actually funded will have a floating-rate and, as such, will have a different loan number. The floating-rate loan number will be used by Purchasing for funding. Both loan numbers will appear in the commitment and in the loan documents as well as in the Document Management System (DMS).



#### PRODUCT SNAPSHOT

## Floating-Rate Loan

### Low Rates, Customized Terms and Certainty of Execution

Our floating-rate loan is ideal for borrowers who want to take advantage of lower, short-term rates with prepayment flexibility. You get a streamlined yet flexible financing solution at our lowest, most competitive note rate. Choose from a variety of interest rate cap coverage and prepayment provision options to suit the borrower's loan characteristics and needs.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](http://FreddieMac.com/multifamily/lenders)**

- Generally \$5 million to \$100 million; however larger or smaller loan amounts are considered
- Limited partnership, corporation, limited liability company or tenancy in common
- Over \$5 million must be Single Purpose Entity
- Under \$5 million, borrower may be Single Asset Entity
- We support eligible mixed-use properties

Freddie Mac Multifamily  
**Green Advantage**<sup>SM</sup>

Our new Freddie Mac Multifamily **Green Advantage**<sup>TM</sup> initiative rewards borrowers who improve their properties to save energy or water.



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## Floating-Rate Loan ▶ Conventional

<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>▪ Borrower may generally be a limited partnership, corporation, limited liability company, or a tenancy in common (TIC) with 10 or fewer tenants in common.</li> <li>▪ General partnerships, limited liability partnerships, REITs and certain trusts may also be acceptable in limited circumstances, subject to additional requirements.</li> <li>▪ Borrower must generally be a Single Purpose Entity (SPE) (see Section 6.13 of the Loan Agreement for basic SPE requirements); however, on loans less than \$5 million, upon borrower's request, a borrower other than a TIC may be a Single Asset Entity instead of an SPE.</li> <li>▪ If the borrower is structured as a tenancy in common (TIC), each tenant in common must be a SPE.</li> </ul>
<b>Eligible Property Types</b>	Standard multifamily housing, student housing, seniors housing, manufactured housing communities and Targeted Affordable Housing (e.g., cash LIHTC Year 4-10 and 11-15, Section 8 loans); conventional structured transactions. Floating-rate loans are not available for cooperative housing.
<b>Terms</b>	5-, 7-, and 10-year terms
<b>Amount</b>	Generally, \$5 to \$100 million (smaller and larger loans will be considered)
<b>Pricing Index</b>	1-month LIBOR index <sup>1</sup>
<b>Early Rate-Lock Option</b>	<a href="#">Early rate-lock option</a> available for varying durations, typically ranging from 60 to 120 days from rate-lock until Freddie Mac purchase; Sellers should consult with their regional Freddie Mac representative to determine eligibility
<b>Interest-Only Period</b>	Partial-term and full-term interest-only available; see chart below and related footnotes
<b>Interest Rate Cap</b>	Expanded the number of cap options available. Borrower may obtain its own cap coverage from a third-party provider (see our <a href="#">Approved Counterparties List</a> for a list of approved providers, which we have increased); see the <a href="#">Interest-Rate Cap Options for Floating-Rate Cash Loans with a 7-Year Term example</a> . No cap necessary for loans with a loan-to-value (LTV) ratio of less than 60%.
<b>Maximum Amortization</b>	30 years
<b>Amortization Calculations</b>	Actual/360



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## Floating-Rate Loan ▶ Conventional

<b>Lockout/Prepayment Provisions</b>	Four lockout/prepayment options available (see chart below) with no premium for final 90 days; other options are available for loans that are not intended to be securitized. Borrowers should contact a Freddie Mac Multifamily Seller/Servicer for more information; Freddie Mac Sellers should contact their Freddie Mac representative.
<b>Tax and Insurance Escrow</b>	Generally required
<b>Replacement Reserve Deposit</b>	Generally required
<b>Recourse Requirements</b>	Non-recourse except for standard carve-out provisions
<b>Supplemental Loan Availability</b>	Yes, subject to requirements specified in the Loan Agreement
<b>Application Fee</b>	Greater of \$2,000 or 0.1% of loan amount for conventional first mortgages; supplemental and seniors housing loans are > \$5,000 or 0.15% of loan amount; supplemental loans are > \$5,000 or 0.1% of loan amount and Targeted Affordable Housing loans are > \$3,000 or 0.1% of loan amount
<b>Refinance Test</b>	No <a href="#">Refinance Test</a> is necessary if the loan has an amortizing debt coverage ratio (DCR) of 1.40x or greater and a LTV ratio of 65% or less; all partial-term interest-only loans must pass the <a href="#">Refinance Test</a>

### Lockout/Prepayment Provisions<sup>1</sup>

You can choose from four prepayment provisions when structuring Freddie Mac standard, capped, or uncapped floating-rate loans. Each option offers no prepayment premium for the last 90 days of the loan term.

Prepayment Premium	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Option 1</b>	Locked out	1%	1%	1%	1%	1%	1%	1%
<b>Option 2</b>	3%	2%	1%	1%	1%	1%	1%	1%
<b>Option 3</b>	5%	4%	3%	2%	1%	1%	1%	1%
<b>Option 4</b> (only for 10-yr capped floating-rate loan)	7%	6%	5%	4%	3%	2%	1%	1%



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## Loan-to-Value (LTV) Ratios and Amortizing<sup>2</sup> Debt Coverage Ratios (DCR)

Floating-Rate Base Conventional Maximum LTV and Minimum DCR <sup>3</sup>	(For specific product adjustments, refer to individual term sheets)		
	Amortizing	Partial-Term Interest-Only <sup>4</sup>	Full-Term Interest-Only
≥ 5-Year and < 7-Year Term	75% / 1.30x	75% / 1.30x	65% / 1.40x
7-Year Term	80% / 1.25x	80% / 1.25x	70% / 1.35x
> 7-Year Term	80% / 1.25x	80% / 1.25x	70% / 1.35x

<sup>1</sup> Other options are available for loans that are not intended to be securitized. Borrowers should contact a Freddie Mac Multifamily Seller/Service for more information; Freddie Mac Sellers should contact their Freddie Mac representative.

<sup>2</sup> The DCR calculated for the partial-term interest-only and full-term interest-only period uses an amortizing payment at the sizing note rate.

<sup>3</sup> Adjustments may be made depending on the property, product, market and/or sponsor

<sup>4</sup> For partial term interest-only loans, there must be a minimum amortization period of 5 years for loans with terms greater than 5 years. Acquisition loans with 5-year terms may have up to 1 year of partial-term interest-only. For terms of 10 years or more, loans may have interest only in an amount equal to no more than half of the loan term.

PRODUCT SNAPSHOT

## Green Advantage<sup>SM</sup>

**Better Pricing. Larger Proceeds.  
Energy Savings.**

We make it easy to be green. When you commit to reducing energy or water (by at least 15 percent), you can get better pricing and more funding to make these improvements.

Is your property already green certified? Then you can also get these rewards.

### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](http://FreddieMac.com/multifamily/lenders)**

- Works with the majority of Freddie Mac Multifamily loans
- Options include Green Up<sup>SM</sup>, Green Up Plus<sup>SM</sup>, Green Certified or C-PACE
- The Green Assessment<sup>SM</sup> and Green Assessment Plus<sup>SM</sup> show borrowers how they can save energy or water. We reimburse up to \$3,500 of the cost of the report when the borrower closes a Freddie Mac Multifamily loan
- Properties that could be a good fit for Green Advantage are those built in 2000 or earlier (2002 for tax-credit properties)
- We support eligible mixed-use properties



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## Going Green?

	Green Up <sup>SM</sup>	Green Up Plus <sup>SM</sup>
<b>Minimum Projected Consumption Reduction</b>	15% of energy or water/sewer consumption based on Green Assessment	15% of energy or water/sewer consumption based on Green Assessment Plus
<b>Underwriting Approach</b>	Recognize 50% of projected owner-paid energy and/or water/sewer savings based on Green Assessment	Recognize 75% of projected owner-paid energy and/or water/sewer savings based on Green Assessment Plus
<b>Loan Proceeds/Sizing</b>	<ul style="list-style-type: none"> <li>■ DCR: -0.05x of policy-compliant DCR. Subject to lesser of 1.20x or program/product limit</li> <li>■ LTV: +5.0% of policy-compliant LTV. Subject to greater of 85% or program/product limit</li> </ul>	<ul style="list-style-type: none"> <li>■ DCR: -0.05x of policy-compliant DCR. Subject to lesser of 1.20x or program/product limit</li> <li>■ LTV: +5.0% of policy-compliant LTV. Subject to greater of 85% or program/product limit</li> </ul>
<b>Minimum Green Improvement Budget</b>	\$350 per unit	\$350 per unit
<b>Age of Properties</b>	Must be Workforce Housing built in 2000 or earlier (2002 for tax-credit properties). These properties must not have undergone a significant rehab affecting HVAC or plumbing systems more recently than those respective years.	Must be Workforce Housing built in 2000 or earlier (2002 for tax-credit properties). These properties must not have undergone significant rehab affecting HVAC or plumbing systems more recently than those respective years.
<b>Time to Complete Green Improvements</b>	2 years to complete. Work must commence within 180 days of loan origination	2 years to complete. Work must commence within 180 days of loan origination
<b>Escrow Requirements</b>	Funds for energy/water efficiency work will be escrowed at 125% of cost and released as work is completed	Funds for energy/water efficiency work will be escrowed at 125% of cost and released as work is completed
<b>Benchmarking Requirements</b>	Property energy and water usage must be recorded in EPA Portfolio Manager before closing and annually until 2 years after project completion	Property energy and water usage must be recorded in EPA Portfolio Manager before closing and annually until 2 years after project completion
<b>Required Third Party Reports</b>	Green Assessment	Green Assessment Plus

## Already Green?

<b>Green Certified</b>	<p>We give discounted loan pricing for properties—with at least 20% affordable rental units—and has one of these eight <a href="#">industry-standard green building certifications</a>:</p> <table border="0"> <tr> <td>1. EarthCraft, Greater Atlanta Home Builders Association &amp; South Face</td><td>5. Green Globes, Green Building Initiative</td></tr> <tr> <td>2. ENERGYSTAR® for Multifamily, EPA</td><td>6. GreenPoint Rated, Build It Green</td></tr> <tr> <td>3. ENERGYSTAR® for Qualified Multifamily High-Rise, EPA</td><td>7. LEED, US Green Building Council</td></tr> <tr> <td>4. Green Communities, Enterprise Community Partners</td><td>8. National Green Building Standard (NGBS), Home Innovation Research Labs</td></tr> </table> <p>Seller/Serviceers should:</p> <ol style="list-style-type: none"> <li>1. Speak to their Freddie Mac representatives.</li> <li>2. Complete our <a href="#">Affordability Test</a> and select the relevant certification.</li> </ol> <p>Provide evidence of certification as part of the loan submission to receive our best quote.</p>	1. EarthCraft, Greater Atlanta Home Builders Association & South Face	5. Green Globes, Green Building Initiative	2. ENERGYSTAR® for Multifamily, EPA	6. GreenPoint Rated, Build It Green	3. ENERGYSTAR® for Qualified Multifamily High-Rise, EPA	7. LEED, US Green Building Council	4. Green Communities, Enterprise Community Partners	8. National Green Building Standard (NGBS), Home Innovation Research Labs
1. EarthCraft, Greater Atlanta Home Builders Association & South Face	5. Green Globes, Green Building Initiative								
2. ENERGYSTAR® for Multifamily, EPA	6. GreenPoint Rated, Build It Green								
3. ENERGYSTAR® for Qualified Multifamily High-Rise, EPA	7. LEED, US Green Building Council								
4. Green Communities, Enterprise Community Partners	8. National Green Building Standard (NGBS), Home Innovation Research Labs								

## Other Green Options

<a href="#">Green Rebate</a>	<p>If your borrower doesn't choose the Green Advantage options, make sure they know they can receive <a href="#">\$5000 from Freddie Mac</a> [PDF] for delivering an EPA ENERGYSTAR Score®.</p>
<b>Commercial Property Assessed Clean Energy (C-PACE) Financing Consent</b>	<p>We can grant consent for C-PACE financing from qualifying C-PACE programs on loans in our retained portfolio. Additional requirements may apply. Check with your Freddie Mac representative for details.</p>



## Index Lock

### Offering:

Our Index Lock option allows borrowers to lock the Treasury index and the spread<sup>1</sup> at any time after the Loan is under application with the Seller—providing an enhanced level of risk mitigation against interest-rate volatility and market grid movements. If one or more of the assumptions in the quote sheet changes—such as changes in the terms of the loan, the type of property, borrower, or certain loan document modifications—the quote will be adjusted based on the pricing grid in effect as of the date of the quote.

### Benefits:

Allows borrowers to mitigate market risk, reduce loan coupon volatility, and avoid potential proceed cuts by locking the Treasury index anytime (at quote or during underwriting) with less documentation and faster execution than our traditional lock processes.

### Eligibility:

Index Lock is available to existing borrowers that have had a loan purchased for securitization by Freddie Mac within the last 24 months.

Parameters of the Index Lock include:

- Up to \$150 million
- Single asset (non-transferable); pools are eligible with approval
- Securitized loans – acquisitions or refinances
- The Index Lock Agreement will require Index Lock to occur before quote sheet expiration, i.e., 5 business days from quote issuance
- Index lock periods:
  - The lock period for most loans is 60 days after the expiration of the quote
  - The lock period for Seniors Housing (SH) and Manufactured Housing Community (MHC) loans is 75 days after quote expiration
  - The lock period for Targeted Affordable Housing is 90 days after quote expiration
- Borrower must elect standard delivery or early rate lock at time of Index Lock.
- Standard application fee (10bps); 2% good faith deposit (Seller/Servicer retained)
- Plus/minus 5% proceeds variance without triggering breakage; proceeds greater than 105% of the index-locked UPB will be locked at the current Treasury index creating a blended rate
- Not a commitment or credit approval

<sup>1</sup> If the quoted Treasury floor, if applicable, is triggered at the time of index lock, the spread will be increased by a corresponding amount.



	Index Lock	Early Rate-Lock (ERL)	Standard Delivery
<b>What is Being Locked?</b>	Treasury yield only; Freddie Mac spread is quoted at Index Lock, which will not be subject to market grid movements, but will adjust based on changes in loan terms, property, borrower or certain loan document modifications or other transaction specific items not fully reflected in the quote based on the pricing grid in effect as of the quote date; Freddie Mac spread and servicing spread are determined at full rate-lock	Interest rate for a fixed-rate loan or the gross spread for a floating-rate loan	Interest rate for a fixed-rate loan or the gross spread for a floating-rate loan
<b>Eligible Borrowers</b>	Borrowers in good standing that have closed a securitized loan within 24 months	Standard underwriting requirements	Standard underwriting requirements
<b>Eligible Loans</b>	<ul style="list-style-type: none"> <li>Loans to be securitized</li> <li>Acquisition or refinance loans</li> <li>Fixed-rate loans</li> </ul>	<ul style="list-style-type: none"> <li>Loans to be securitized or held in portfolio</li> <li>Acquisition or refinance loans</li> <li>Fixed- or floating-rate loans</li> </ul>	<ul style="list-style-type: none"> <li>Loans to be securitized or held in portfolio</li> <li>Acquisition or refinance loans</li> <li>Fixed- or floating-rate loans</li> </ul>
<b>Maximum Loan Amount</b>	\$150,000,000	No maximum	No maximum
<b>Which Loan Terms Are Determined Prior to Lock?</b>	Term of the loan and loan amount (loan amount is subject to change)	Most material loan terms (loan amount is subject to change)	All loan terms
<b>Est. Time for Credit Approval</b>	N/A	2 to 5 business days	2 to 3 weeks
<b>Good Faith Deposit (GFD)</b>	2% (retained by Seller)	2% (submitted to Freddie Mac)	Not required
<b>Duration of Lock</b>	60 days after quote expiration date for most loans 75 days after quote expiration for Seniors Housing and MHC loans 90 days after quote expiration for TAH loans	Varying durations, typically ranging from 60 days to 120 days until Freddie Mac purchase	Typically 45 days until Freddie Mac purchase
<b>Exposure to Sponsor upon Breach/Breakage</b>	<i>Fixed-rate:</i> Standard breakage formula, subject to a 0.5% minimum and 2.0% maximum of the rate-locked mortgage amount	<i>Fixed-rate:</i> Standard breakage formula, subject to a 0.5% minimum and 2.0% maximum of the rate-locked mortgage amount <i>Floating-rate:</i> 2.0%	<i>Fixed-rate:</i> Standard breakage formula, subject to a 0.5% minimum and 2.0% maximum of the rate-locked mortgage amount <i>Floating-rate:</i> 2.0



#### PRODUCT SNAPSHOT

## Lease-Up Loan

### Lock in Low Interest Rates Before Stabilization

In today's market, new properties are in high demand. Borrowers want to take advantage of low interest rates early in the process. Our Lease-Up Loan allows borrowers to lock in a rate and fund a loan before the collateral is fully stabilized.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](https://FreddieMac.com/multifamily/lenders)**

- This type of loan is for refinancing or acquiring newly-constructed properties
- Fixed- and floating-rate loans are available; interest-only also available during lease-up period
- We support eligible mixed-use properties

Freddie Mac Multifamily  
**Green Advantage<sup>SM</sup>**

Our new Freddie Mac Multifamily **Green Advantage<sup>SM</sup>** initiative rewards borrowers who improve their properties to save energy or water.



**[FreddieMac.com/multifamily/product/](https://FreddieMac.com/multifamily/product/)**

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## Lease-Up Loan ▶ Conventional, Targeted Affordable

	Refinance Lease-Up	Acquisition Lease-Up
<b>Product Description</b>	Refinancing for newly constructed properties	Acquisition financing for newly constructed properties
<b>Eligible Borrowers</b>	Borrowers must have experience with new construction and/or lease-up properties, and generally have strong financial capacity and real estate management expertise with good performance and credit history	
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>Well-constructed properties, exhibiting strong lease-up trends, and located in good locations and markets</li> <li>Student housing, seniors housing and manufactured housing community transactions are not eligible</li> <li>Stabilization expected within 12 months of funding</li> </ul>	
<b>Loan Types</b>	<ul style="list-style-type: none"> <li>Fixed- and floating-rate loans</li> <li>Interest-only available during the lease-up period</li> <li>See the <a href="#">Fixed-Rate Loan</a> and <a href="#">Floating-Rate Loan</a> term sheets for details</li> </ul>	
<b>Markets</b>	Targeting strong markets and locations	
<b>Maximum Loan-to-Value (LTV) Ratio</b>	75% (as-stabilized)	70% (as-stabilized)
<b>Minimum Debt Coverage Ratio (DCR)</b>	1.30x	1.30x
<b>Minimum Cash Equity Requirement</b>	15%	30%
<b>Minimum Credit Enhancement Requirements</b>	Letter of credit or cash hold back sized to: <ul style="list-style-type: none"> <li>5% of the underwritten value for a loan with an LTV ≤ 70%</li> <li>10% of underwritten value for a loan with an LTV &gt; 70%</li> </ul>	No credit enhancement required
<b>Rate Lock</b>	<ul style="list-style-type: none"> <li>50% occupied</li> <li>60% leased</li> <li>60% or more Certificates of Occupancy issued</li> </ul>	

## Lease-Up Loan ▶ Conventional, Targeted Affordable

	Refinance Lease-Up	Acquisition Lease-Up
<b>Funding</b>	<ul style="list-style-type: none"> <li>■ 1.05x I/O DCR</li> <li>■ 65% occupied</li> <li>■ 75% leased</li> <li>■ 100% of Certificates of Occupancy issued</li> </ul>	<ul style="list-style-type: none"> <li>■ 1.0x I/O DCR</li> <li>■ 65% occupied</li> <li>■ 75% leased</li> <li>■ 100% of Certificates of Occupancy issued</li> </ul>
<b>Stabilization</b>	<ul style="list-style-type: none"> <li>■ Minimum 90% occupied</li> <li>■ 1.25x amortizing DCR for 3 consecutive months</li> </ul>	
<b>Appraisal Report</b>	The appraisal report must provide the as-is and as-stabilized values for the property	
<b>Release of Credit Enhancement Requirements/ Stabilization</b>	<p>Stabilization and/or release of credit enhancement will occur once the property has achieved 1.25x amortizing DCR for 3 months and met other standard conditions as set forth by Freddie Mac</p> <p>If stabilization is not reached within 12 months, then the credit enhancement, if available, will be used to resize the loan and recast the payments</p> <p>Minimum 90% occupancy and underwritten NRI must be achieved for 3 consecutive months. Income must be based on the certified rent roll or trailing 1-month collections</p>	
<b>Premier Sponsors and Markets</b>	Additional flexibility available on a case-by-case basis through an assessment of the sponsor and market as determined by Freddie Mac	

# Flexible **Funds** for Flexible **Needs**





# Compelling Reasons

## to choose the Revolving Credit Facility

Success in managing multifamily property portfolios depends on having the right funding — attractive floating and fixed rates, **highly-customizable terms** and **certainty of execution**. That's why Freddie Mac Multifamily created the **Revolving Credit Facility**.

Our Revolving Credit Facility is a highly flexible, **non-recourse**, 5-year **interest-only** real estate secured line of credit tailored to meet your specific needs, from short-term repositioning of transitional assets to portfolio acquisitions.

The facility lets you **lock in credit and pricing terms before identifying properties** and then, once locked, floating rate spread and fixed rates remain set for the life of the facility. The facility allows you to borrow-up, extend up to two additional years and expand your debt as needed.

Plus, the facility offers options to **accommodate assets with or without common ownership**, allowing for different equity structures.

# Unique Benefits

## What sets us apart

- **No common ownership is required**, and a borrower may be either a Single Asset Entity or a Single Purpose Entity
- **A borrower can move assets in and out** of the facility without having to substitute like assets
- **Asset types can be comingled** within the same facility
- **No interest rate cap** is required
- Every six months the borrower may **borrow-up for additional proceeds at first-mortgage-rate pricing**
- With a cross-collateralized and cross-defaulted facility, **stronger assets can carry weaker ones** with no maximum LTV, minimum DSCR or occupancy requirements at the property level
- **Assets can be released without an asset release fee** when a borrower refinances with a Freddie Mac securitized product

# People Are Talking...

*"This is an incredibly useful tool for our clients who need to manage their leverage points as they grow their portfolios. Having the ability to access trapped equity without refinancing is very useful as is the ability to pay down to target leverage levels once equity is raised. There is nothing else in the market as flexible with a seamless exit through a securitized loan execution. This facility is a game changer."*

– **Chris Black**  
KeyBank (Seller/Service)

*"Freddie Mac proved to be a terrific capital partner on this transaction. They worked proactively with us every step of the way, and in particular, Freddie Mac provided excellent marketing assistance in helping Hunt Mortgage Group educate our client on the benefits of a structured transaction. This was the first structured transaction completed by our client."*

– **Bill Hyman**  
Hunt Mortgage Group  
(Seller/Service)

*"HFF closed three credit facilities for Abacus Capital Group because of Freddie's ability to customize a structure that accommodates our client's business needs. Freddie's committed capital mitigates the risk from a potential disruption in the capital markets, and enables Abacus to acquire assets when other buyers may not be able to access adequate acquisition financing."*

– **Mona Carlton**  
HFF (Seller/Service)

*"Our structured credit facility provides an advantage as we continue to grow our portfolio in the highly competitive acquisition environment. The standardization of the loan documents at the establishment of the facility, coupled with the speed and flexibility of the underwriting process allows us to close on acquisitions much more quickly than we can with conventional agency products, often making us a more attractive buyer than our competition."*

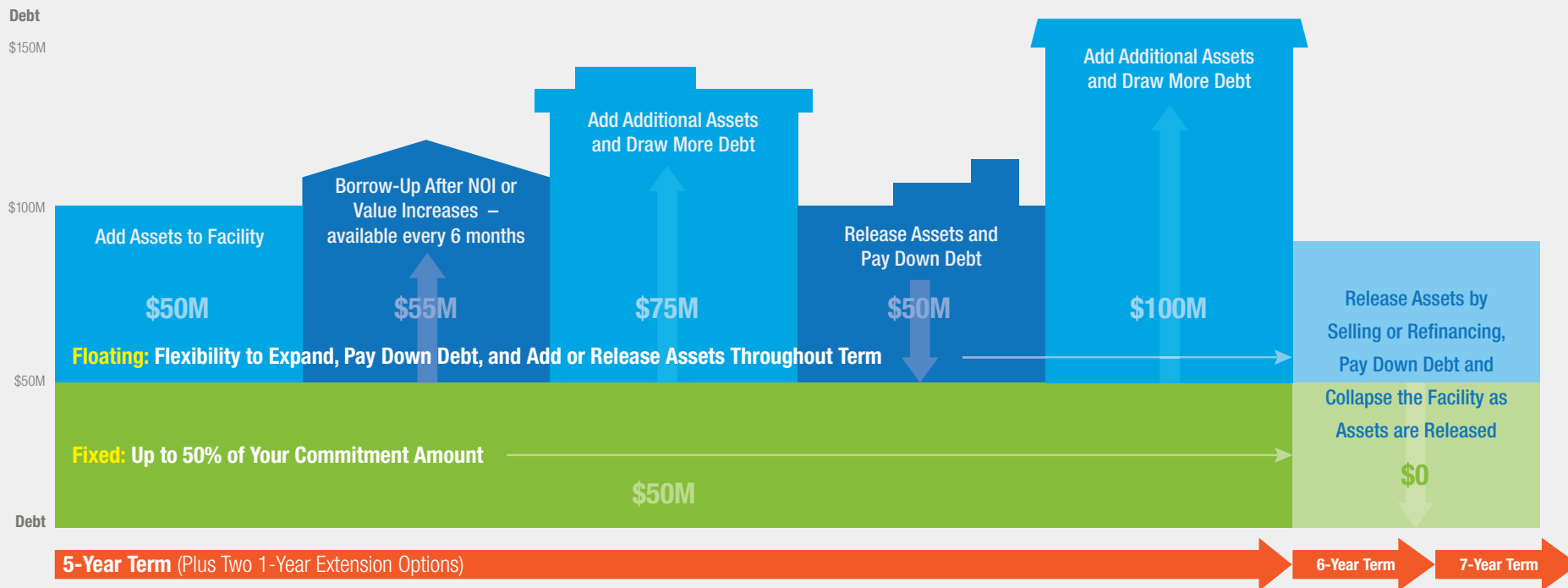
– **Kevin Roach**  
ROCO Real Estate (Borrower)

# The Structure

Build it your way

**Here's an example of how Freddie Mac's Revolving Credit Facility can work.**

The borrower is using the facility to grow its portfolio and chooses a \$100 million Revolving Credit Facility with a \$50 million expansion option.



## Lock Your Spreads for 5 Years

The Revolving Credit Facility lets you lock credit terms and spreads prior to identifying properties



## Borrow-Up

With improved NOI or value, you may borrow-up for additional proceeds at first mortgage pricing



## No Substitution Requirements

Add or release assets *without having to substitute like assets*



## Expand the Facility

The facility allows you to expand your debt as needed



## No Need to Identify Maturities Up Front

Partially contract the facility upon assets' exit



## Assets Can Be Released without an Asset Release Fee

If the property is refinanced with a Freddie Mac Multifamily securitized product



# Freddie Mac

## Offers better options

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at [freddiemac.com/multifamily/lenders](https://freddiemac.com/multifamily/lenders)



# Our Experts

## Guide you through the process

*Our people are the best in multifamily property funding, hands down!* The Structured Transactions Production Team is constantly pushing to create the new, overcome the hurdles and deliver flexible terms with competitive pricing to meet a borrower's unique needs.



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# Flexible Terms

For your portfolio strategy

## Terms

<b>Term</b>	<ul style="list-style-type: none"> <li>5-year interest-only</li> <li>Two 1-year floating rate extension options</li> </ul>
<b>Commitment Amount</b>	<ul style="list-style-type: none"> <li>\$100 million preferred minimum</li> <li>Up to 50% of initial commitment amount in expansion rights</li> </ul>
<b>Guarantor</b>	Net worth and liquidity requirements set relative to the facility
<b>Type</b>	<ul style="list-style-type: none"> <li>Floating and fixed rates available</li> <li>Fixed-rate borrowing tranche can be no more than 50% of the initial commitment amount and must be established and funded on day one of the facility</li> </ul>
<b>Collateral</b>	First-lien mortgages of conventional, seniors housing, student housing properties or manufactured housing communities (MHC)
<b>Crossed Facility</b>	<ul style="list-style-type: none"> <li>LTV/DSCR sublimits measured at the facility level with no limits at the property level</li> <li>No minimum occupancy requirement</li> </ul>
<b>Uncrossed Facility</b>	<ul style="list-style-type: none"> <li>Each property is evaluated individually and must meet the sublimit requirements individually</li> <li>No minimum occupancy requirement</li> </ul>
<b>Maximum LTV</b>	75%
<b>Minimum DSCR</b>	Pricing provided for three tiers: <ul style="list-style-type: none"> <li>Conventional multifamily and MHC: 1.45x, 1.65x, 1.85x +</li> <li>Student housing: 1.50x, 1.70x, 1.90x +</li> <li>Seniors independent living: 1.50x, 1.70x, 1.90x +</li> <li>Seniors assisted living: 1.60x, 1.80x, 2.00x +</li> <li>Uncrossed pools: +0.10</li> </ul>
<b>Underwriting Rate (for most markets)</b>	Index floor (125 bps) + stress rate (100 bps) + gross spread
<b>Interest Rate Caps</b>	Not required

## Freddie Mac Fees

<b>Legal Deposit</b>	\$35,000 deposit (due when term sheet is signed)		
<b>Commitment Fee and Property Addition Fee</b>	<ul style="list-style-type: none"> <li>Commitment fee: 5 basis points</li> <li>Addition fee: 10 basis points</li> </ul>		
<b>Extension Fee</b>	\$50,000 for each extension year		
<b>Unused Commitment Fee</b>	20 basis points charged annually on the difference between the commitment amount and UPB drawn		
<b>Seasoning Fee</b>	50 basis points charged annually at the asset level beginning in the fourth year the asset is in the facility		
<b>Asset Release Fee</b>		<b>FLOATING-RATE TRANCHE</b>	<b>FIXED-RATE TRANCHE</b>
	<b>SECURITIZED PRODUCT EXIT</b>	No release fee	Yield maintenance, with up to 1% of the allocated loan amount waived
	<b>PROPERTY SALE</b>	1% of the allocated loan amount; waived if new buyer finances with a Freddie Mac securitized product	Greater of 1% of the allocated loan amount or yield maintenance, with 1% of the allocated loan amount waived if the new buyer finances with a Freddie Mac securitized product
	<b>ALL OTHER EXITS</b>	<ul style="list-style-type: none"> <li>Years 1 to 3: 2% of the allocated loan amount</li> <li>Years 4 to 5: 1% of the allocated loan amount</li> </ul>	Greater of (i) 2% of the allocated loan amount in years 1 to 3 or 1% of the allocated loan amount in years 4 to 5, or (ii) yield maintenance

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#### PRODUCT SNAPSHOT

## Seniors Housing Loan

### Affordable Solutions for Seniors Housing

Our Seniors Housing Loan is specifically designed for the acquisition or refinance of properties designated and built as seniors housing properties. It offers flexible, multiple terms for a variety of housing property types — independent living properties, assisted living properties, memory care properties, and senior properties with a limited amount of skilled nursing.

#### The Freddie Mac Difference

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#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](https://FreddieMac.com/multifamily/lenders)**

- Designed for the acquisition or refinance of seniors housing properties
- Includes independent living properties, assisted living properties, memory care properties, and senior properties with a limited amount of skilled nursing
- 5-10 years, up to 30 years for fixed-rate loans
- Ability to finance seniors housing properties with changing or expanded acuity

Freddie Mac Multifamily  
**Green Advantage<sup>SM</sup>**

Our new Freddie Mac Multifamily **Green Advantage<sup>SM</sup>** initiative rewards borrowers who improve their properties to save energy or water.



**[FreddieMac.com/multifamily/product/](https://FreddieMac.com/multifamily/product/)**

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## Seniors Housing Loan ▶ Seniors

<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>■ Experienced owner/operator of comparable facilities</li> <li>■ If the loan is less than \$5 million, the borrower may be a Single Asset Entity with some additional restrictions and may be a limited partnership, general partnership (no individuals may be general partners), limited liability company, corporation or real estate investment trust (must be a corporation, not a trust)</li> <li>■ If the loan is \$5 million or more, the borrower may be a limited partnership, a corporation or a limited liability company and must be a Single Purpose Entity (SPE); see Section 6.13 of the Loan Agreement for basic SPE requirements</li> <li>■ If the borrower is structured as a tenancy in common (TIC), each tenant in common must be an SPE (Note: TICs are not encouraged)</li> </ul>	
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>■ Independent living properties</li> <li>■ Assisted living properties</li> <li>■ Memory care properties</li> </ul>	<ul style="list-style-type: none"> <li>■ Properties with a limited amount of skilled nursing (maximum 20% of NOI)</li> <li>■ Any combination of the above</li> </ul>
<b>Terms</b>	<ul style="list-style-type: none"> <li>■ 5-10 years (up to 30 years for fixed-rate loans)</li> </ul>	
<b>Eligible Loans</b>	<ul style="list-style-type: none"> <li>■ <a href="#">Fixed-rate loans</a></li> <li>■ Standard and capped <a href="#">floating-rate loans</a></li> </ul>	<ul style="list-style-type: none"> <li>■ <a href="#">Supplemental loans</a> (subject to requirements in the Loan Agreement) and other options</li> <li>■ Other FMAC loan programs may be available on a waiver basis</li> </ul>
<b>Financing Options</b>	<ul style="list-style-type: none"> <li>■ Acquisition or refinance loans</li> <li>■ Bond credit enhancements</li> </ul>	<ul style="list-style-type: none"> <li>■ Our <a href="#">Revolving Credit Facility</a> and Targeted Affordable Housing transactions; please refer to our <a href="#">Products page</a></li> </ul>
<b>Replacement Reserve Escrow</b>	Generally required	
<b>Tax and Insurance Escrow</b>	Generally required	
<b>Early Rate-Lock Options (for Fixed-Rate Loans)</b>	Available for extended periods, including our standard <a href="#">early rate-lock</a> and <a href="#">Index Lock</a> options; Sellers should consult with their regional Freddie Mac representative to determine eligibility	
<b>Spread Hold</b>	Quoted loan spreads are held for 75 days from signed loan application, allowing sufficient time to close loans at quoted spreads and, if applicable, at index lock rates	
<b>Application Fee</b>	Greater of \$5,000 or 0.15% of loan amount	
<b>Refinance Test</b>	<p>No <a href="#">Refinance Test</a> is necessary if the loan has a loan-to-value (LTV) ratio of 55% or less and an amortizing debt coverage ratio (DCR) of:</p> <ul style="list-style-type: none"> <li>■ For Independent Living: <math>\geq 1.45x</math></li> <li>■ For Assisted Living: <math>\geq 1.55x</math></li> <li>■ For Assisted Living with Skilled Nursing Beds: <math>\geq 1.60x</math></li> </ul> <p>All partial-term interest-only loans must pass the Refinance Test</p>	

## Loan-to-Value (LTV) Ratios and Amortizing Coverage Ratios (DCR)

Seniors Housing – Independent Living Base Conventional Maximum LTV /Minimum DCR	Fixed-Rate and Floating Rate <sup>1</sup> LTV/DCR <sup>2</sup>		
	Amortizing	Partial-Term Interest-Only <sup>3</sup>	Full-Term Interest-Only
≥ 5-Year and < 7-Year Term	70% / 1.35x	70% / 1.35x	60% / 1.45x
7-Year Term	75% / 1.30x	75% / 1.30x	65% / 1.40x
> 7-Year Term	75% / 1.30x	75% / 1.30x	65% / 1.40x

Seniors Housing – Assisted Living (>50% Assisted Living Units) Base Conventional Maximum LTV/ Minimum DCR	Fixed-Rate and Floating Rate <sup>1</sup> LTV/DCR <sup>2</sup>		
	Amortizing	Partial-Term Interest-Only <sup>3</sup>	Full-Term Interest-Only
≥ 5-Year and < 7-Year Term	70% / 1.45x	70% / 1.45x	60% / 1.55x
7-Year Term	75% / 1.40x	75% / 1.40x	65% / 1.50x
> 7-Year Term	75% / 1.40x	75% / 1.40x	65% / 1.50x

Seniors Housing – Skilled Nursing (Max 20% of NOI <sup>4</sup> ) Base Conventional Maximum LTV/ Minimum DCR	Fixed-Rate and Floating Rate <sup>1</sup> LTV/DCR <sup>2</sup>		
	Amortizing	Partial-Term Interest-Only <sup>3</sup>	Full-Term Interest-Only
≥ 5-Year and < 7-Year Term	70% / 1.50x	70% / 1.50x	60% / 1.65x
7-Year Term	75% / 1.45x	75% / 1.45x	65% / 1.55x
> 7-Year Term	75% / 1.45x	75% / 1.45x	65% / 1.55x

<sup>1</sup> Floating-rate proceeds are calculated based on the sizing note rate

<sup>2</sup> The DCR calculated for the partial-term interest-only and full-term interest-only period uses an amortizing payment.

<sup>3</sup> For partial-term interest-only loans, there must be a minimum amortization period of 5 years for loans with terms greater than 5 years. Acquisition loans with 5-year terms may have up to 1 year of partial-term interest-only. For terms of 10 years or more, loans may have interest only in an amount equal to no more than half of the loan term.

<sup>4</sup> Skilled nursing cannot exceed a maximum of 20% of the overall property net operating income.





PRODUCT SNAPSHOT

## Single-Sponsor Execution

### A Unique Loan for Your Substantial Assets

Our Single-Sponsor Execution is ideal for borrowers who want customized financing for their more sizeable properties and/or portfolios.

Highly tailored loan terms may include fixed- or floating-rate loans, or a mix of both, as well as other features that give the borrower flexibility. The Freddie Mac Servicing Standard, designed to create a better borrower experience, is in effect through the entire loan process — both before and after securitization.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers/Service providers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](http://FreddieMac.com/multifamily/lenders)**

#### Single-Sponsor Execution

- \$250 million or more for one or multiple properties
- Works with all property classes
- Most products offered by Freddie Mac are applicable—conventional, targeted affordable, seniors housing, student housing, manufactured housing communities
- Lock options include Early-Rate Lock, Index Lock and Standard Delivery
- We support eligible mixed-use properties

#### Additional Benefits With B-Piece Purchase

- Cross pool diverse disposition strategy; can include laddered maturities for fixed- or floating-rate debt or a combination of both
- Substitution rights allow Sponsors to manage properties as business needs change
- Lower net effective pay rate—after considering cash flow from subordinate bonds

Freddie Mac Multifamily  
**Green Advantage<sup>SM</sup>**

Our new Freddie Mac Multifamily **Green Advantage<sup>SM</sup>** initiative rewards borrowers who improve their properties to save energy or water.



**[FreddieMac.com/multifamily/product/](http://FreddieMac.com/multifamily/product/)**

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## Single-Sponsor Execution ► Conventional, Seniors, Targeted Affordable

### The Terms

<b>Eligible Products</b>	Most product types currently offered by Freddie Mac (e.g., conventional, targeted affordable, seniors housing, student housing, manufactured housing communities)
<b>Terms</b>	Up to 30 years fixed rate, up to 10 years floating rate, or a mix of both
<b>Index</b>	Fixed-rate: US Treasury Securities Floating-rate: 1-month LIBOR index
<b>Lock Options</b>	<a href="#">Early rate-lock option</a> available for varying durations, typically ranging from 60 to 120 days until Freddie Mac purchase; <a href="#">Index Lock</a> and standard delivery are also available
<b>Supplemental Loans</b>	Available subject to requirements specified in Freddie Mac's underwriting guidelines; additional loan-level or aggregate loan-to-value (LTV), debt service coverage ratio (DSCR) and net operating income tests may be required
<b>Recourse Requirements</b>	Loans are non-recourse except for standard carve-out provisions
<b>Reserve Escrows</b>	Tax, insurance and replacement reserves are generally required, subject to standard Freddie Mac underwriting criteria
<b>Prepayment Provisions</b>	Variety of prepayment options available
<b>Interest-Only Period</b>	Full- or partial-term interest-only available
<b>Cross-Collateralization</b>	Choice of crossed or uncrossed loans

### Pool Options and Requirements

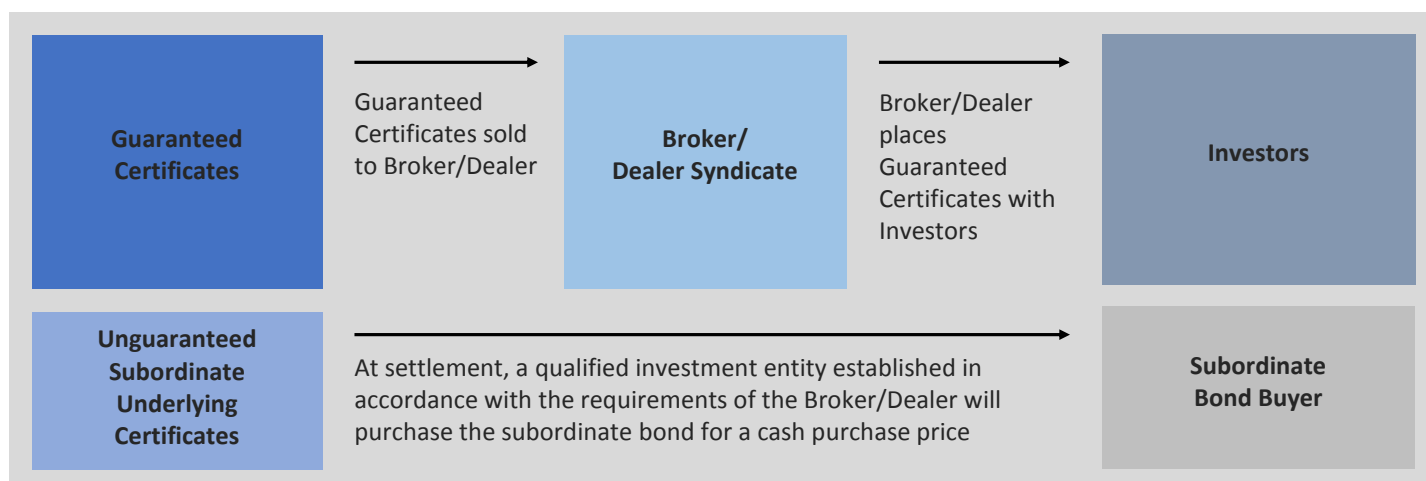
<b>Pool Size</b>	Generally, \$250 million or greater
<b>Collateral Substitutions</b>	Permitted to allow the Sponsors to manage their properties as business needs change; limited to deals in which the Sponsor buys the B-piece
<b>Assumptions</b>	Available for uncrossed pools (fixed- and floating-rate); assumptions on a crossed pool may be permitted on a case-by-case basis (limited to deals in which the Sponsor buys the B-piece)
<b>Releases from Cross-Collateralization</b>	Permitted subject to minimum pool-level LTV/DSCR thresholds for remaining, unreleased loans



[FreddieMac.com/multifamily/product/](https://freddiemac.com/multifamily/product/)

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## Typical Securitization Structure



## For More Information

### CONTACT YOUR REPRESENTATIVE

Denise Hogan	Director	(703) 714-2765 or <a href="mailto:denise_hogan@freddiemac.com">denise_hogan@freddiemac.com</a>
David Quadt	Associate Director	(703) 714-3533 or <a href="mailto:david_quadt@freddiemac.com">david_quadt@freddiemac.com</a>





PRODUCT SNAPSHOT

## Supplemental Loan

### Add-On Funding Without Refinancing

Our supplemental loan gives borrowers access to additional capital at a cost lower than refinancing. Take advantage of Freddie Mac's flexible terms, streamlined underwriting and certainty of execution.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](http://FreddieMac.com/multifamily/lenders)**

- A supplemental loan placed at least 12 months after origination of the first loan or the most recent prior supplemental loan
- Additional financing options in conjunction with seasoned multifamily loans
- Both fixed- and floating-rate supplemental loans available
- Supplemental financing behind seasoned securitized loans is a unique advantage of the Freddie Mac execution

Freddie Mac Multifamily  
**Green Advantage<sup>SM</sup>**

Our new Freddie Mac Multifamily **Green Advantage<sup>SM</sup>** initiative rewards borrowers who improve their properties to save energy or water.



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## Supplemental Loan ► Conventional, Seniors, Targeted Affordable

<b>Eligible Seller/Service</b>	<ul style="list-style-type: none"> <li>■ If the first loan has been securitized, the original approved Seller/Service for that first loan</li> <li>■ If the first loan has not been securitized, the approved Seller/Service currently servicing that first loan</li> </ul>
<b>Eligible Borrowers</b>	Original first loan borrower or lender-approved transferee
<b>Eligible Loans<sup>1</sup></b>	<ul style="list-style-type: none"> <li>■ Loans behind existing first loans <ul style="list-style-type: none"> <li>– In good standing</li> <li>– Purchased through the Conventional Cash Mortgage Purchase Program, the Targeted Affordable Housing Cash Mortgage Purchase Program and conventional structured transactions</li> </ul> </li> <li>■ Prior loans (first loans and any prior supplemental loans in place) must have remaining terms of 3 years or more</li> <li>■ Minimum supplemental amount: \$1 million</li> </ul>
<b>Terms</b>	Coterminous with first loan; must be at least 12 months after origination of the first loan or the most recent prior to the supplemental loan; not available during the last 3 years of the first loan
<b>Prepayment Provisions</b>	Structured as a yield maintenance loan
<b>Reserve Requirements</b>	Origination of a supplemental loan behind a securitized loan will trigger collection of any deferred reserves for that first loan
<b>Refinance Test</b>	The <a href="#">Refinance Test</a> is based on the sum of the debt service and unpaid principal balance of the first loan and all existing and proposed supplemental loans <sup>1</sup>
<b>Servicing Fee</b>	Calculation based on supplemental proceeds

<sup>1</sup> Supplemental loans are also subject to conditions set forth in the first loan and any existing supplemental loan documents. All LTVs and DCRs are calculated based on the sum of the debt service and unpaid principal balance of the first loan and all existing and proposed supplemental loans.

### Loan-to-Value (LTV) Ratios and Amortizing<sup>2</sup> Debt Coverage Ratios (DCRs)

Supplemental Loan <sup>3</sup> Base Maximum LTV and Minimum DCR	Fixed-Rate LTV/DCR			Floating-Rate LTV/DCR (DCR at comparable fixed note rate)		
	Amortizing	Partial-Term Interest- Only <sup>4</sup>	Full-Term Interest- Only	Amortizing	Partial-Term Interest- Only <sup>4</sup>	Full-Term Interest- Only
<b>Acquisitions and Refinances</b>						
<b>≥ 5-Year and &lt; 7-Year Term</b>	75% / 1.30x	75% / 1.30x	65% / 1.40x	75% / 1.30x	75% / 1.30x	65% / 1.40x
<b>7-Year Term</b>	80% / 1.25x	80% / 1.25x	70% / 1.35x	80% / 1.25x	80% / 1.25x	70% / 1.35x
<b>&gt; 7-Year Term</b>	80% / 1.25x	80% / 1.25x	70% / 1.35x	80% / 1.25x	80% / 1.25x	70% / 1.35x

<sup>2</sup> The DCR calculated for the partial-term interest-only and full-term interest-only period uses an amortizing payment.

<sup>3</sup> If fewer than 5 years is remaining on the first loan, add 5 bps to the DCR. If fewer than 3 years is remaining on the first loan, a supplemental is not allowed.

<sup>4</sup> For partial-term interest-only loans, there must be a minimum amortization period of 5 years for loans with terms greater than 5 years. Acquisition loans with 5-year terms may have up to 1 year of partial-term interest-only. For terms of 10 years or more, loans may have interest only in an amount equal to no more than half of the loan term.





PRODUCT SNAPSHOT

## Value-Add Loan

### Does Your Multifamily Property Need a Light Renovation?

Our Value-Add Loan offers short-term, cost-effective financing for modest property upgrades. (For more extensive rehabilitation projects, look into our Moderate Rehab loan product.) Borrowers receive competitive pricing and lower execution costs. Both interest-only and uncapped floating-rate loans are available. And, with all Freddie Mac financing, this loan is non-recourse and provides “one-stop shopping” for upgrade and permanent financing.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we’re here to help.

#### Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:  
**[FreddieMac.com/multifamily/lenders](https://FreddieMac.com/multifamily/lenders)**

- Short-term, negotiable financing for upgrades of \$10,000 to \$25,000 per unit
- Allows for a wide variation in borrower term and structure needs
- Funds up to 50% should be spent on unit interiors
- Budget can be adjusted up to 20% without additional approval
- Interest-only and uncapped floating-rate loan
- We support eligible mixed-use properties

Freddie Mac Multifamily  
**Green Advantage<sup>SM</sup>**

Our new Freddie Mac Multifamily **Green Advantage<sup>TM</sup>** initiative rewards borrowers who improve their properties to save energy or water.



**[FreddieMac.com/multifamily/product/](https://FreddieMac.com/multifamily/product/)**

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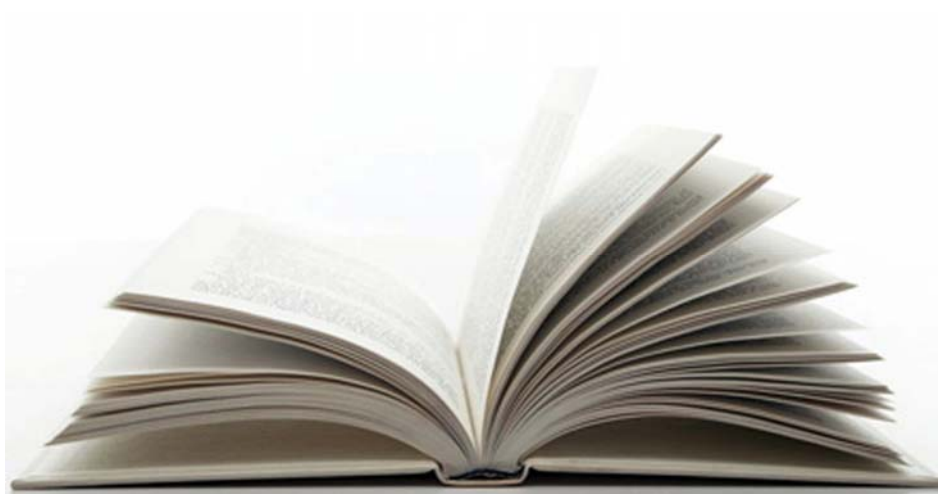
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>▪ Developers/operators with experience in multifamily property rehabilitation and in the local market with sufficient financial capacity</li> <li>▪ 1.5x the standard minimum net worth and liquidity requirements for guarantors</li> </ul>
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>▪ Properties with no more than 500 total units in good locations</li> <li>▪ Well-constructed properties requiring modest repairs</li> <li>▪ Market laggards that require capital infusion and new/improved management</li> <li>▪ Real-estate owned properties in receivership that are capable of improved performance</li> <li>▪ Seniors Housing, Student Housing and Manufactured Housing Communities are not eligible</li> </ul>
<b>Terms</b>	<ul style="list-style-type: none"> <li>▪ Three years with one 12-month extension based on the borrower's request and one optional 12-month extension based on Freddie Mac's discretion</li> <li>▪ Floating-rate loan with full-term interest-only; no cap required</li> <li>▪ No lock-out; borrower may pay off the loan at any time but must remit an exit fee of 1%; the exit fee will be waived if the loan is refinanced with Freddie Mac</li> <li>▪ Acquisitions and refinances; not assumable</li> <li>▪ Loan documentation at origination will include the Value-Add Rider, which will detail the terms/requirements of the rehabilitation</li> <li>▪ Escrows will include real estate taxes, insurance and replacement reserves; escrows for rehabilitation are not required</li> <li>▪ 15% cash equity generally required</li> <li>▪ For longer term ownership, cash-out is available provided a completion guaranty on budgeted improvements in an amount at least equal to the cash-out is in place</li> </ul>

<b>Amount</b>	<ul style="list-style-type: none"> <li>Maximum loan-to-purchase / loan-to-value (LTV) ratio: 85%</li> <li>Minimum amortizing debt coverage ratios (DCR): 1.10x – 1.15x depending on market</li> <li>Sizing based on a 7-year sizing note rate</li> <li>Appraisal must include as-is and as-stabilized values; underwriting must support a 1.30x DCR and 75% LTV based on as-stabilized value supported by the appraisal</li> <li>Standard Freddie Mac underwriting based on as-is income and expense</li> <li>Refinance Test not required</li> <li>No pro-forma underwriting of future performance</li> </ul>
<b>Rehabilitation</b>	<ul style="list-style-type: none"> <li>Rehabilitation must commence within 90 days of loan origination and be completed within 33 months</li> <li>Acceptable budget of \$10,000 per unit to \$25,000 per unit</li> <li>Budget can be adjusted by as much as 20% without additional approval; 50% of the budget should be spent on unit interiors</li> <li>Completion Guaranty required</li> <li>Borrower/Service reporting required</li> </ul>
<b>At Loan Maturity/Refinance</b>	<ul style="list-style-type: none"> <li>Final engineer review of work completion and quality is required</li> <li>Refinance with Freddie Mac with no exit fee; otherwise 1% applies</li> <li>Freddie Mac will re-underwrite the loan according to then-current credit policy parameters</li> <li>One-year borrower extension option is available for a 0.5% extension fee, assuming no event of default</li> <li>Additional Freddie Mac extension option is available thereafter with 1% extension fee</li> </ul>
<b>Fees</b>	Standard fees apply, including application fee and good faith deposit



# Appendix C: Underwriting Guidance

1. Faster, Smarter Deal Submissions
2. Seniors Housing Lease-Up Deals Analysis
3. Seniors Housing Mortgage Transactions  
Narrative Best Practices







# Faster, Better, Smarter Deal Submissions

2017 Seniors Housing Workshop



## A Slimmer Checklist...



### Note the following changes:

- Aerial photographs and maps no longer need to be included in the full underwriting package
- Borrower Certification of Physical and Environmental Property Condition Borrower Certification of No Change
- Seller/Servicers to deliver compliance certifications during the underwriting process (OFAC Compliance, FHFA Suspended Counterparty Program (SCP), and Freddie Mac Exclusionary List)
- Credit reports for non-warm body entities and foreign sponsors with no Social Security numbers
- Now accepting blanket certifications for property level due diligence (Historical Financial statements, Current Financial Statements, Borrower Budget and Rent Rolls). In addition, blanket certification is not required until due diligence has been completed, prior to rate-lock, and all documents are known that require certification.
- Deferred collection of the Freddie Mac Application Fee to rate-lock
  - The fee will be calculated based on final approved loan proceeds to eliminate true-up wire transfers

# Understanding the Borrower

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## Best Practices:

- The org chart guides the Borrower Principal due diligence process and must include the following:
  - Role and percent ownership for all individuals and entities
  - Control at each ownership level
  - Type of entity and state of formation
  - Make sure it adds up to 100%
- Drill down each entity chain until entity type is either individual, public company, or pension/investment fund (Final Level Principal)
- Due diligence waivers should either be made prior to submission of underwriting package or be clearly outlined in the Narrative

# Borrower Principals Subject to Due Diligence



	FORM 1115 BORROWER/ BORROWER PRINCIPAL CERTIFICATE	FORM 1116 REAL ESTATE SCHEDULE	FINANCIAL STATEMENTS	CREDIT <sup>1</sup> REPORT
BORROWER	YES	<ul style="list-style-type: none"> <li>• YES if entity is not SPE/SAE</li> <li>• NO if SPE/SAE</li> </ul>	YES	YES
GUARANTOR	YES	YES	YES	YES
FIRST LEVEL BORROWER PRINCIPALS	YES	<ul style="list-style-type: none"> <li>• YES if not an SPE equity owner</li> <li>• NO if an SPE equity owner</li> </ul>	YES	YES
INTERMEDIATE LEVEL BORROWER PRINCIPALS	NO	NO	NO	YES
FINAL LEVEL BORROWER PRINCIPAL	YES	YES	YES	YES

<sup>1</sup> Credit reports no longer required on entities

Forms 1115 Borrower Certificate and 1116 Real Estate Schedule have been revised to include a list of Required Entities for the purposes of the respective form

### Other Borrower items to look for:

- Identify all guarantors
  - e.g., Managing Members
- Non-U.S. Equity Holders - Foreign investors with a 10% or greater direct or indirect interest in the Borrower.
- Work with your Freddie SR UW if unsure who to ask for Due Diligence
- Don't include Tax ID or SSN

### Don't leave out other information:

- TIC Structures
- Foreign Guarantors
- Preferred Equity
  - Fill out Pref. Equity Questionnaire, hard pay vs. soft pay, etc.

Don't leave out other important information:

- Run searches:
  - **[Property name] [city] AND crime OR murder OR theft**
  - **[Property name] [city] AND litigation OR foreclosure OR lawsuit OR default OF judgment OR court OR discrimination OR complaints**
  - **[Borrower principal/management company] bankruptcy OR complaints OR crime OR court OR default OR discrimination OR felony OR foreclosure OR judgment OR lawsuit OR litigation**
- The Freddie Mac Underwriter working on the deal will be running those same searches so the earlier you get in front of any potential issues, the better

# Preliminary Legal Issues Memorandum (PLIM)



## Tips and Guidance:

- Include all requested document modifications
- Identify any Borrower structure issues
- Analyze any unusual property issues (HOA, access, etc.)
- See *Guide Section 6.4* for requirements for the PLIM
- Could potentially impact pricing or underwriting parameters (e.g., preferred equity)
- The sooner, the better



# Best Practices on Borrower Certification



## Tips and guidance:

- Keep in mind the following:
  - No more than 60 days old
  - Must be completely filled out
  - Provide an explanation for any “Yes” responses in an attachment

## Summarize disclosures:

- Provide clear and thoughtful explanation and mitigants for any adverse credit items noted
- Compare net worth and liquidity to the levels noted in the Quote form and tie to financial statement
- Describe contingent liabilities (CLs) (maturities, performance and financing plans); include “dollars and dates”

Part I Property Information				
For the Property that will secure the proposed loan, please provide:				
Name of Property		Street Address		
City	County	State	Zip Code	
Is this form being filled by or on behalf of a <input type="checkbox"/> Borrower <input type="checkbox"/> Required Borrower Principal <input type="checkbox"/> Non-U.S. Equity Holder (that is not a Required Borrower Principal)				
Part II Borrower and Property Information and Certification				
If you are submitting this Certificate as or on behalf of Borrower, complete all Sections of Part II and Schedule A, if applicable (do not complete Parts III or IV).				
Section A: General Borrower Information				
Name of Borrower				
Street Address				
City	County	State	Zip Code	
Select the <u>type of Borrower</u> from the following: <input type="text"/>				
Tax ID Number: <input type="text"/>				
State of formation: <input type="text"/>				
Name of current lender or N/A: <input type="text"/>				
Title is or will be held: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (attach copy of ground lease) <input type="checkbox"/> Other (attach explanation)				
Is the Property a Co-op? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Is the Property a Condominium? <input type="checkbox"/> Yes <input type="checkbox"/> No				
If "Yes," does Borrower own 100% of the Condominium units? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Is the Borrower a single purpose entity ("SPE")? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Is the Borrower a recycled SPE? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Does Borrower have an SPE Equity Owner? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Does Borrower or SPE Equity Owner have an Independent Director/Manager? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Name of Independent Director/Manager if applicable: <input type="text"/>				
Has Borrower ever owned any asset other than the Property? (if yes, attach explanation including date of sale) <input type="checkbox"/> Yes <input type="checkbox"/> No				

# Best Practices on Borrower Certification, Cont'd



For newly formed entities, certification is still required as it captures Tax ID number and contact address but other documentation requirements are waived

g. Has Required Borrower Principal or any entity of which Required Borrower Principal was/is a Principal been a guarantor (including a recourse carve-out guarantor) of a loan where the lender tried to recover, made a demand or otherwise enforced their rights under your guaranty (even if lender was not successful)? ☐ Yes ☐ No (If Yes, complete Schedule B, Item 7)

2. As of the date of this Certificate:

a. Are you or any entity of which you are a Principal involved in any pending/existing litigation (including as a defendant or the subject of a counterclaim) or otherwise subject to any claims in a lawsuit? ☐ Yes ☐ No (If Yes, complete Schedule B, Item 8)

b. If Required Borrower Principal is an entity, are there any outstanding pledges of direct or indirect interests in Required Borrower Principal? ☐ Yes ☐ No (If Yes, complete Schedule B, Item 9)

c. To your knowledge, are you or any entity of which you are a Principal under investigation by any governmental agency for a criminal or civil violation? ☐ Yes ☐ No (If Yes, complete Schedule B, Item 10)

3. Has Required Borrower Principal ever been convicted of a felony or is Required Borrower Principal presently, to your knowledge, the subject of a complaint or indictment charging a felony? (A felony is defined as any offense punishable by imprisonment for a term exceeding one year but does not include any offense classified as a misdemeanor under the laws of a state and punishable by imprisonment of two years or less.) ☐ Yes ☐ No (If Yes, complete Schedule B, Item 11)

4. Required Borrower Principal estimated net worth \$ \_\_\_\_\_ as of [date] \_\_\_\_\_

5. Insert the total amount of all contingent liabilities not included in estimate of net worth in question 4, above. (Contingent liabilities include, without limitation, any pending legal actions in which a judgment could be rendered against Required Borrower Principal and any unsatisfied judgments, regardless of appeal status.)  
Amount \$ \_\_\_\_\_ (If the amount listed exceeds 50% of the estimated net worth, complete Schedule B, Item 12)  
Description \_\_\_\_\_


6. Provide the estimated total amount of Required Borrower Principal's liquid assets (cash or assets that can be readily converted to cash) as of the date of the estimate of net worth provided in question 4, above.  
Amount \$ \_\_\_\_\_

**Section C: Certification of Required Borrower Principal**

To induce the lender to make the loan requested by Borrower, I hereby certify [check applicable capacity]  
☐ for myself, or  
☐ on behalf of the undersigned entity

(1) that if Required Borrower Principal is an entity, I am a duly authorized representative and (2) that each of the statements made in this Certificate and all information provided on the attached Schedule B are true, complete and correct to the best of my knowledge and belief, and are made in good faith, and I represent that the Property will not be used for any illegal or restricted purposes.

Name of Required Borrower Principal \_\_\_\_\_

Authorized Signature 	Date _____
Typed Name of Signer _____	Title of Signer (if Required Borrower Principal is an entity) _____

# Best Practices on Real Estate Schedules



## Tips and guidance:

- Preference is to use the Freddie Mac form (Excel)
- Must be dated no more than 6 months from package submission
- Ensure it is fully completed—including maturity dates, NOI, ADS, UPB and value
- Analyze portfolio DCR (amortizing) and LTV
- Address any maturities within the next 12-18 months, performance and maturity of contingent liabilities, and any assets operating at or below 1.0x DCR

## Guidance:

- Should not be more than 6 months old unless Freddie Mac permits a statement of no material adverse change
- Must be certified or audited; standard language provided in *Guide Section 55.2*
- Liquid Assets = cash + cash equivalents
- Information should be consistent with the Borrower Certification

# Appraisal and Property Reviews

- Third-Party Reports
-



## General Third-Party Report Guidance:

- Drafts need to be finalized and less than 6 months old
- Inspection date must be no more than 30 days prior to the date of the report (for property condition and environmental reports only)
- Ensure the report reflects the correct property name and address
- Check for the inclusion of reliance language
- Must be completed by a qualified consultant
- Specific repair or remediation actions are provided for all identified risks
- Required work is quantified
- Costs are identified
- Report must meet the requirements of *The Guide*
- See Best Practices document for more specific guidance

[http://www.freddiemac.com/multifamily/resources/best\\_practices.pdf](http://www.freddiemac.com/multifamily/resources/best_practices.pdf)

Make sure to cover these in your review:

- Confirm the consultant inspected the required number of units (10% of all units to include 50% of vacant units)
- Ensure that the recommendations, body of the report, replacement reserve table, and Form 1105 information is all consistent
- Focus on problematic materials (i.e., aluminum wiring, polybutylene/galvanized piping, etc.)
  - Report must opine on overall condition and make clear recommendations as to its acceptability
  - Commitment requirements include that insurance cannot exclude coverage and appraiser confirms no adverse impact on value

## Property Condition Assessment, Cont'd



### “Open issues” noted:

- Any items that require further study or investigation must be completed prior to delivery of the report

### Replacement reserve schedule reminders:

- Review significant Year 1 reserves (may actually be a Priority Repair item)
- Pre-approved items for reimbursement included in the commitment must be included in the schedule
- If the loan term changes, the schedule must be updated (term + 2 years)

### Updates over the past year:

- Licensed electrician no longer required to complete the load analysis when amperage is less than 60 amps
  - SBL waives the load analysis in top markets as long as the service is above 40 amps and certain conditions are met (e.g., no electric heat, no washer/dryers, etc.)
- Provided clarification that aluminum branch wiring terminations must have code-compliant connections rated to accept aluminum

# Environmental & Seismic Reports



## Environmental Report guidance:

- Risks must be fully evaluated, otherwise any recommended additional study must be completed prior to report submission
- All previous testing and remediation referenced must be included in the addendum of the report, and the consultant should analyze and opine on the results

## If an environmental issue is noted, the consultant must include the following:

- Issue must be fully described, including the source, responsible party, liability to Borrower, and regulatory requirements
- Remediation action, if applicable, must be clearly defined, including potential costs
- Health and safety threat to the tenants must be specifically stated

## Common situations to be on the lookout for:

- Asbestos testing not completed per Guide requirements (regardless of property age) – O&M plan required
- PCB-containing transformers – Limited O&M required depending on the age of the property and whether confirmation has been received by utility company
- Radon testing requirements – 1 per building or 10% of ground floor units
  - Long-term radon testing must be at least 91 days in duration

## Seismic Report guidance:

- Updated qualifications and terminology to reflect the latest ASTM standards
- Provided a detailed matrix to assist the end-user in evaluating the SEL-475 and any building stability concerns
- Introduced Form 1102, which summarizes the Level 1 SRA, and must be included with each Level 1 SRA

### Assessment:

- Recognized environmental condition (REC) summary must be completed
- Operations and maintenance (O&M) program required for asbestos-containing material (ACM) if property not tested
- All previous testing and remediation referenced must be incorporated in Addendum and consultant must analyze and opine on results

### If environment issue(s) is (are) identified, apply the following guidance:

- Source of concern must be determined
- Responsible parties must be identified; any clean-up liability to the Borrower must be clearly defined
- Health and safety threat to the tenants must be defined
- Regulatory requirements must be defined
- Remediation costs must be provided



## Guidance:

- Review rent comparables and sales comparables for appropriateness and proper adjustments
- Confirm that the appraiser's market rents are similar to the property's recent leasing and, if not, that there is an adequate explanation.
- Validate property-level information that could impact valuation is correct (unit count, property condition, amenities, etc.)
- Ensure that appraiser has provided adequate support for all income and expense assumptions, sale comparable adjustments, etc.
  - Review that the emphasis the appraiser places on particular sales in the conclusion to the Sales Comparison Approach are the same as placed on the comparable sales in the capitalization rate discussion and, if not, that there is an adequate explanation for the variance

### Guidance:

- If there are significant material issues identified in the PCA or Phase I environmental report, the appraiser must review the report and opine on their impact on market value
  - Confirm calculations are accurate (i.e., derivation of proforma, sales approach adjustments, etc.)
- Trying to have the appraiser provide an adequately supported appraisal report with few-to-zero “go backs” so everyone in the loan origination chain can do more business
  - Improved transparency of the appraiser’s discussion, assumptions and conclusions

### Updates:

- Changed the appraiser's property inspection requirements
  - Reduced the maximum number of units to inspect (from 25 to 15 for conventional properties)
  - Allowing a single State Certified appraiser to inspect the subject property and sign the report, instead of everyone who signs the report having to had inspected the property.
- Elimination of Form 439 (this is a secondary Appraiser Certification that is unnecessary)

## Areas to review within the Zoning Report:

- Confirm that property information (acreage, number of units, number of parking spaces, etc.) is consistent with other third-party reports
- Non-conformance needs a rebuild analysis
- Required for insurance review; needs to be completed in a timely manner
- If there are outstanding building code violations, they must be addressed in the Property Condition Report (PCR)
- Ensure it contains the required Guide language with respect to certifications of occupancy not being available

# Capital Improvements

If the property has had recent improvements, use the following guidance:

- Itemized list of improvements with dates and cost
- How many units renovated
- Discuss any impacts to property operations resulting from the improvements
  - Changes in rental rates
  - Effect on occupancy / turnover





# The Narrative

---

## General guidance:

- A good Narrative anticipates our concerns proactively
- Avoid simply filling in the blanks
- Elaborate on all analysis performed during your loan review
- Mitigate all identified risks
- Don't bury key information in the narrative
- Refer to [Mortgage Transaction Narrative Analysis Best Practices](http://www.freddiemac.com/multifamily/seller_servicer/uw/)
  - [http://www.freddiemac.com/multifamily/seller\\_servicer/uw/](http://www.freddiemac.com/multifamily/seller_servicer/uw/)
    - Resources > Best Practices Documents

## Overview – “Tell the Story”:

- Provide a brief summary of the transaction
  - Terms of the loan request
  - Ownership history (including acquisition or construction costs)
  - Discuss sources and uses
  - Hard equity remaining on cash-out transactions
- Highlight any unique features of the transaction
  - Highlight and mitigate any exceptions/flex menu items
  - If discussed upfront with Freddie Mac Production, make sure it is detailed in this portion of the narrative

## Market:

- Avoid cutting and pasting directly from the Appraisal or a “Chamber of Commerce” write-up
- Discuss trends in population, rents, vacancy, absorption, supply, unemployment
- Freddie Mac knows the major markets. Focus should be on submarket.
- Describe immediate area surrounding subject
  - Discuss property’s location in the submarket
  - Identify surrounding land uses and impact on the property
  - Assess how the property fits in with the competitive set
  - Discuss local demand generators (employers, schools, major retail, etc.)

## Strengths and Weaknesses:

- Strengths include items such as:
  - Cash equity, Borrower experience, financial strength, occupancy history, market characteristics, amenity package
- Weaknesses include items such as:
  - Cash-out, interest-only period, downward trending market, older property, deferral of escrows, tax abatements
  - Mitigate any risks

Seniors Housing Lease-Up Deal Analysis

	Program Requirements	Property A	Property B	Property C	Property D	Property E
Acuity Mix (Units):	Any Mix	IL: 100%	IL: 100%	AL: 70% MC: 30%	AL: 70% MC: 30%	IL: 40% AL: 40% MC: 20%
Loan Purpose:	Refinance or Acquisition	Refinance	Refinance	Refinance	Acquisition	Acquisition
NIC Map Market Type:	Primary	Primary	Secondary	Primary	Primary	Primary
Market Type:	Suburban or Urban	Suburban	Suburban	Urban	Suburban	Suburban
Stabilized Cap Rate:	Market	7.00%	6.25%	6.00%	5.75%	5.75%
Loan Amount:	n/a	\$36,750,000	\$30,000,000	\$27,500,000	\$12,350,000	\$28,320,000
DCR As Is:	Min 1.10 IL/ 1.20 AL	1.2	1.1	0.78	0.89	0.85
DCR As Stabilized:	Min 1.35 IL/ 1.45 AL	1.3	1.25	1.4	1.45	1.4
Loan to Cost:	85% Refi/ 70% Acq	131%	123%	104%	70%	70%
Loan to Value As Stabilized:	70% Refi/65% Acq	75%	73%	74%	65%	65%
Funding Occupancy:	75% min	86.00%	90.00%	79.00%	82.00%	79.00%
UW Economic Occupancy:	n/a	88.00%	85.30%	77.10%	78.80%	78.10%
Stabilized Occupancy:	90% min	91.00%	92.00%	95.00%	94.30%	95.00%
Stabilized UW Economic Occupancy:	n/a	91.00%	90.50%	95.00%	91.30%	94.10%
Average Rent/Unit:	n/a	\$4,506	\$3,585	\$6,851	\$3,067	\$2,687
Average Care Revenue/Unit:	n/a	n/a	n/a	\$1,063	\$625	\$1,350
Estimated # of Months to Stabilization:	12 max	3	6	6	12	12
Credit Enhancement:	Letter of Credit or Cash Holdback	(1) Rental achievement equal to 6 months of debt service	(1) Cash Holdback that would reamo debt if collected (2) Guaranty	(1) Cash Holdback that would reamo debt if collected (2) Guaranty	(1) Crossed with 2 other properties, achieving 1.05x combined As Is Coverage	(1) Crossed with 2 other properties, achieving 1.05x combined As Is Coverage



## Seniors Housing Lease-Up Deal Analysis

<b>Credit Enhancement Release Conditions:</b>	Min 90% occupancy and stabilized DCR for 3 consecutive months  Credit Enhancement used to resize the loan and recast the payments	(1) Minimum occupancy and NRI to be achieved on average and within the last month of a 3 consecutive month period. 12 months to achieve the release test. No recast of payment.	(1) Minimum occupancy, NRI, and DCR to be achieved on a T1 basis. 6 months to achieve the release test. (2) Minimum occupancy and DCR to be achieved on average of a consecutive 3-month period. 12 months to achieve the release test. Recast of payment.	(1) Minimum DCR to be achieved on a T1 basis. 2 years to achieve the release test. (2) Minimum DCR to be achieved on average and within each month of a consecutive 3 month period. Term of the mortgage to meet the test for release. Recast of payment.	Minimum occupancy, NRI and DCR to be achieved on average and within the last month of a 3 consecutive month period. 12 months to achieve the release test.	Minimum occupancy and NRI to be achieved on average and within the last month of a 3 consecutive month period. 12 months to achieve the release test.
<b>Gap Credit Enhancement Calculation:</b>	5% Value for LTV < 65% 10% Value for LTV > 65%	2.5% of Value	5% of Value	10% of value	n/a	n/a

# Seniors Housing Narrative for Quote



	<u>Seller /Servicer Quote Request</u>	<u>Freddie Mac (Internal Use Only)</u>
<b><u>Seller/Servicer:</u></b>		
<u>Property Name:</u>		
<u>Property Address:</u>		
<b><u>Loan Summary:</u></b>		
Loan Amount:		
Loan per Unit:		
Term/Amortization/Prepay:		
Interest Only:		
Execution: <i>Standard or ERL</i>		
Closing Date (est): <i>Please explain what is driving the closing date in the overview section.</i>		
LTV:		
Cap Rate:		
DSCR: <i>Please provide both amortizing and IO DSCR if IO period is requested. Adjustable rate mortgages should size the DSCR using the fixed rate comparable note rate.</i>		
<b><u>Property Summary:</u></b>		
Purchase Price:		
Loan to Purchase:		
Cost to Construct or Cost Basis:		
Loan to Cost:		
Cash Equity Amount:		
Loan Proceeds to/ (from) Borrower:		
Service Mix: <i>(No of IL/AL/ALZ/SN</i>		
Service Mix: <i>(% of IL/AL/ALZ/SN</i>		
Year Built/Renovated		
Year Acquired:		
Physical Occupancy: (based on no. of units; from LST rent roll tab):		
Economic Occupancy: (based on proforma; from LST I&E tab):		

### **Transaction Overview:**

- Narrative of the transaction including any “story” and a high level summary of the market, sponsor, operator or manager, and property.
- Purpose of financing.
  - Is it for refinance or acquisition?
- Timing of financing/ required closing date.
- History of property ownership.
  - Have there been any material capital improvements or acuity conversions since construction or acquisition?
- Property website address.
- Maps/Aerials/Property Photos attached as a separate files.

### **Market:**

- Freddie Mac market rating.
- Freddie Mac refinance test results attached as a separate file.
  - Does the test pass or fail to include seniors housing coverage adjustments for LTV / DCR?
- MSA / Submarket Name.
  - Where is the property located within the MSA or state?
  - How does property’s location differentiate itself with other areas of the metro?
- Metro and Submarket data by acuity level, if available.
  - What is the date of the data?
  - What is the source of the data?
  - What is the inventory size, occupancy, and year over year rental increase?
  - What is the new construction inventory?
- Primary Market Area (PMA) data by acuity level.
  - What is the date of the data?
  - What is the source of the data?
  - What is the inventory size and occupancy?
  - What is the new construction inventory?
  - What competing properties have recently opened or expanded?
  - Are there any competing properties anticipated to open or expand?
  - How will new or proposed inventory impact the property’s operating performance?

### **Sponsor/Borrower Principals:**

- Description of Sponsor.
  - What is the size of their seniors housing portfolio?
  - Do they own or manage the properties in their portfolio?
  - Where are the properties in the portfolio located?
  - How long have they been in the seniors housing industry?
  - Have they bought and sold assets in the past?
  - Do they plan on downsizing or growing seniors housing portfolio?
  - Is there a company website? If so, please provide link.
- Identification of Borrowers Principals or copy of Borrower Organization Chart, if available.
  - Do they own more than 25% direct or indirect interest?
  - Do they control the Borrower directly or indirectly?
  - Who are the active and passive investors?

- **Borrower Principals' Net Worth / Liquidity / Contingent Liabilities.** (Liquidity should be defined as cash and marketable securities, exclusive of IRA, 401K and Life Insurance policies).
- Borrower Principals' REO schedules, if available. (NOI, Debt Service, Lender Name, Current Loan UPB, Loan Maturity Date, Contingent Liabilities, Interest Rate, DCR, LTV, Occupancy and cash flow after debt service).
- Name, location and type of properties owned by Borrower Principals that secure other Freddie Mac loans.
  - Are any loans on the Freddie Mac watchlist?
  - If you are the Seller on the property, provide current UPB and maturity date.
- Seller/Service's relationship and experience with the Borrower/Sponsor.

## Guarantor:

- **Identification of Guarantors.**
  - Is the guarantor an individual or corporate entity?
- **Guarantors' Net Worth / Liquidity / Contingent Liabilities.** (Liquidity should be defined as cash and marketable securities, exclusive of IRA, 401K and Life Insurance policies).
  - Do they meet the Freddie Mac minimum requirements? If not, will they meet the requirements at closing?
- Guarantors' REO schedule, if available. (NOI, Debt Service, Lender Name, Current Loan UPB, Loan Maturity Date, Contingent Liabilities, Interest Rate, DCR, LTV, Occupancy and cash flow after debt service).

## Operator/Manager:

- Description of Operator / Manager.
  - What is the size of their seniors housing portfolio?
  - Do they own or manage the properties in their portfolio?
  - Where are the properties in the portfolio located?
  - How long have they been in the seniors housing industry?
  - Is the company affiliated with the Borrower/Sponsor?
  - Does the company have any ownership in the Property?
  - How long has the company managed or leased the subject Property?
  - Do they manage other comparable properties types?
  - Where is the management company's headquarters located?
  - Is there a company website? If so, please provide link
- Amount of management fee.
- Key management positions at the subject property.
  - Has there been any material turnover at the property?
  - Are there any vacant key management positions?

## Operating Lease Structure (if any):

- Identification of Operating Lease.
- Lessor/Lessee relationship or copy of Lessee's Organizational Chart, if available.
- Lease terms and lease analysis.
  - Is the term of the lease outside the proposed loan maturity date?
  - What is the contractual amount of the lease payments? Are there built in escalators?
- Ratio analysis based on underwriting proforma NOI:
  - Lease payment/Annual Debt service
  - NOI/Lease payment

### **Property Overview:**

- Number of buildings / floors.
- Confirmation of sprinklers.
- Number of licensed beds.
- Number of shared units.
- Identification of subordinated or non-subordinated ground lease.
- Identification of excess land included as part of the collateral.
- Required easements for property entrance or shared amenities.
- Identification of material licensing or health care deficiencies.
- Detail of care revenue.
  - Is the scheduled amounts broken out and detailed as part of the LST I&E and Rent Roll tabs?
- Detail of entrance / community fees.
  - Is the scheduled amounts broken out and detailed as part of the LST I&E and Rent Roll tabs?
- Number and percentage of beds and units from subsidies (Medicaid / Medicare / Other State Assistance).
  - What is viability of the state assistance program?
  - Is the income broken out and detailed as part of the LST I&E and Rent Roll tabs?
- Details if any of the trailing three year or T12 cash flow history reflects an initial lease up.
  - What is the construction budget detailing any operating deficits funded by the Sponsor and development fees if the Sponsor was the general contractor?
  - How many months at 85% occupancy or better?
  - What is the 24 monthly lease up / absorption trend (number of move –in's/ number of move;-out's)?
  - Is the Sponsor getting rents above/below the construction proforma?
  - Is there a supporting T3 or T6 cash flow analysis spread as part of the LST I&E tab?

**Property Occupancy by Acuity Type:**

Complete the table for the 24 month Physical Occupancy History (% of Units).

	Month	Year	IL%	AL%	ALZ%	Total Occupancy
24						
23						
22						
21						
20						
19						
18						
17						
16						
15						
14						
13						
12						
11						
10						
9						
8						
7						
6						
5						
4						
3						
2						
1						
		Average:				

	IL	AL	ALZ	Total
Total # of Units				
% of Total Units				

**Average Physical Occupancy in Units**

Trailing 3	%
Trailing 6	%
Trailing 12	%
Trailing 18	%
Trailing 24	%



**Market Rental Comparable Spreadsheet:**

	Subject Property	Comp Name	Comp Name	Comp Name	Comp Name
Address, City, State					
MSA / Submarket					
Distance from Subject					
Year Built					
Occupancy					
IL, AL,ALZ unit mix					
Current Rents - IL / AL / ALZ / SN					
Owner/Operator					

**Current Rents at the Subject Property:**

*Discuss rents and rent trends, for example:*

- Are rents for all acuity levels within the comparable property range?
- When was the last increase at the subject property? What percent? Annual or on the anniversary of the lease?
- Any concessions required currently? What is amount and timing?
- Any concession required during last 12 months? What was amount and timing?

**U/W Issues:**

*Discuss any underwriting issues involved in the deal, for example:*

- How is the property operating versus Borrower's budget?
- Has the Borrower been able to control expenses year over year?
- Does the Sponsor anticipate any changes over 25% in the acuity mix post closing?
- When was the last time the property was appraised? What was the value? What was the NOI and Cap Rate?

**Seller/ Servicer Guide Waivers**

*Discuss known waivers requested under the Seller /Service Guide.*

### **Strengths:**

*Discuss the strengths of the deal, for example.:*

1. Institutional equity providing \$\$ cash equity (##% of purchase price).
2. Experienced, repeat operator/borrower.
3. Cross-collateralized and cross-defaulted.
4. Stabilized, well-maintained assets with occupancy at +95% for 3 years.

### **Weaknesses (include mitigants):**

*Discuss the weaknesses and mitigants of the deal, for example:*

1. \_\_\_\_x DCR. Mitigated by cross-collateralized/cross default, etc.
2. Operator plans to increase rents may de-stabilize occupancies. Mitigated by operator's proven experience in this area.
3. Geographic concentration in Mainstreet, USA. Mitigated by diverse market areas and proven operational history.
4. New supply entering the submarket is mitigated by higher uw vacancy provision.

### **Lender Competition:**

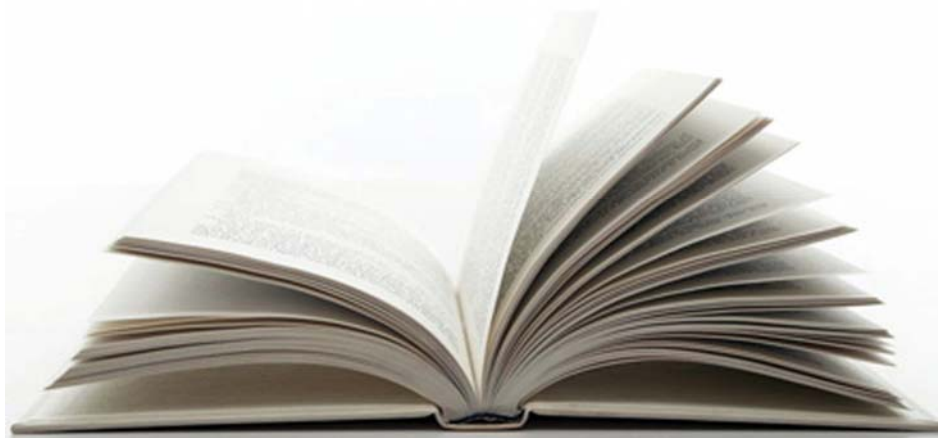
*Provide any competitive feedback, including who else Seller is representing. Detail the current mortgage lender and loan maturity date and other items to consider such as prepayment premiums.*

### **Quote Considerations:**

*What additional information should Freddie consider when reviewing the transaction.*

# Appendix D: OUS and LST

1. Loan Submission Template (LST) Tips and Tricks
2. What's New in Loan Submission Template (LST) 2.7







# **Origination and Underwriting System (OUS)**

## **Loan Submission Template (LST)**

May 2017

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## 1 Purpose of this Job Aid

Sellers submitting multifamily deals for quote or approval are required to complete a Loan Submission Template (LST). This job aid will provide some helpful tips and tricks to the user completing the template and common errors to avoid when uploading the template.

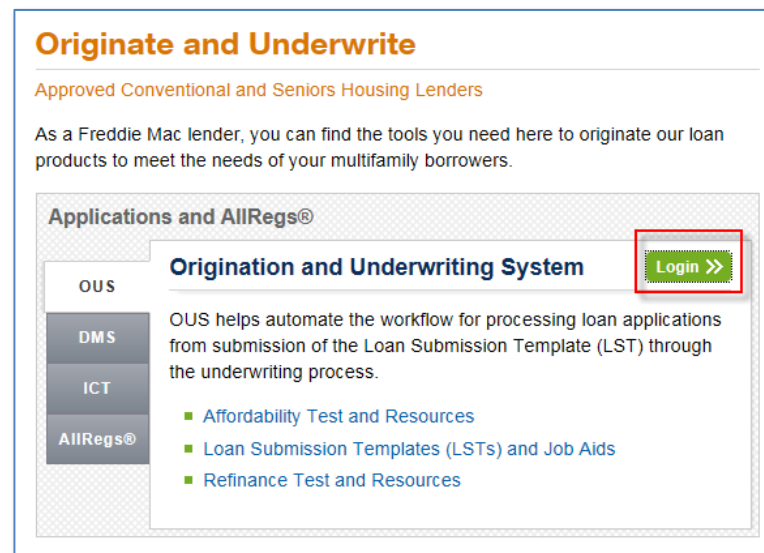
### 1.1 Selecting the Correct LST

Navigate to [Loan Submission Template](#) to download the LST.

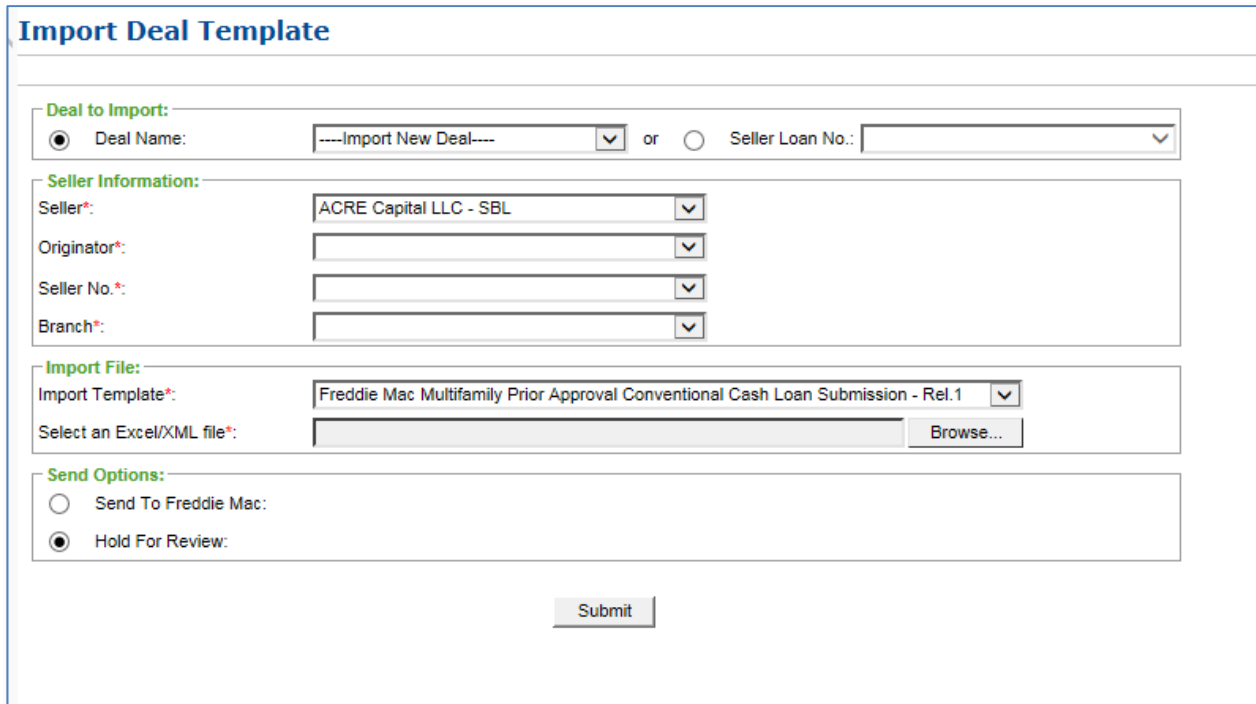
For guidance on the correct Loan Submission Template (LST), go to [Selecting the Correct Loan Submission Template](#) to see the LSTs that are currently in use.

## 2 Importing an OUS Loan Submission Template

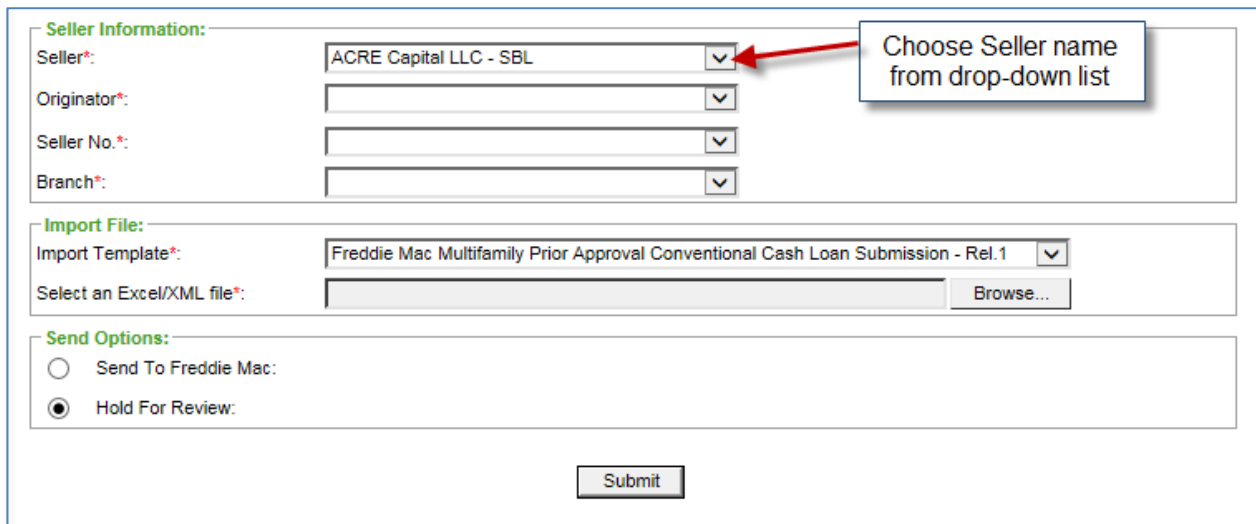
To import the completed OUS LST into OUS, go to [http://www.freddiemac.com/multifamily/seller\\_servicer/uw/](http://www.freddiemac.com/multifamily/seller_servicer/uw/) and click on **Login**. Enter Login ID and password where prompted. Should an issue occur at login, please first consult your local System Administrator to ensure the OUS user record is set up correctly.



1. Navigate to **File → Import Deal Template**. The **Import Deal Template** screen appears.



2. Select the desired Seller from the Seller drop-down list.



**Seller Information:**

Seller\*: ACRE Capital LLC - SBL ▼

Originator\*: ▼

Seller No.\*: ▼

Branch\*: ▼

**Import File:**

Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.1 ▼

Select an Excel/XML file\*:  Browse...

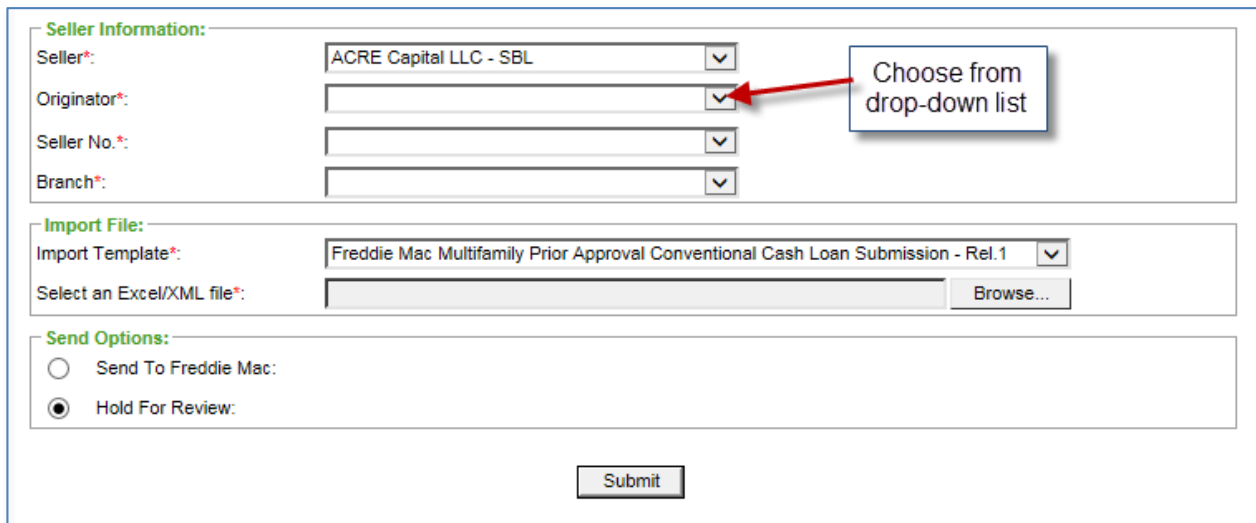
**Send Options:**

☐ Send To Freddie Mac:

☒ Hold For Review:

Submit

3. Select the desired Originator from the **Originator** drop-down list.



**Seller Information:**

Seller\*: ACRE Capital LLC - SBL ▼

Originator\*: ▼

Seller No.\*: ▼

Branch\*: ▼

**Import File:**

Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.1 ▼

Select an Excel/XML file\*:  Browse...

**Send Options:**

☐ Send To Freddie Mac:

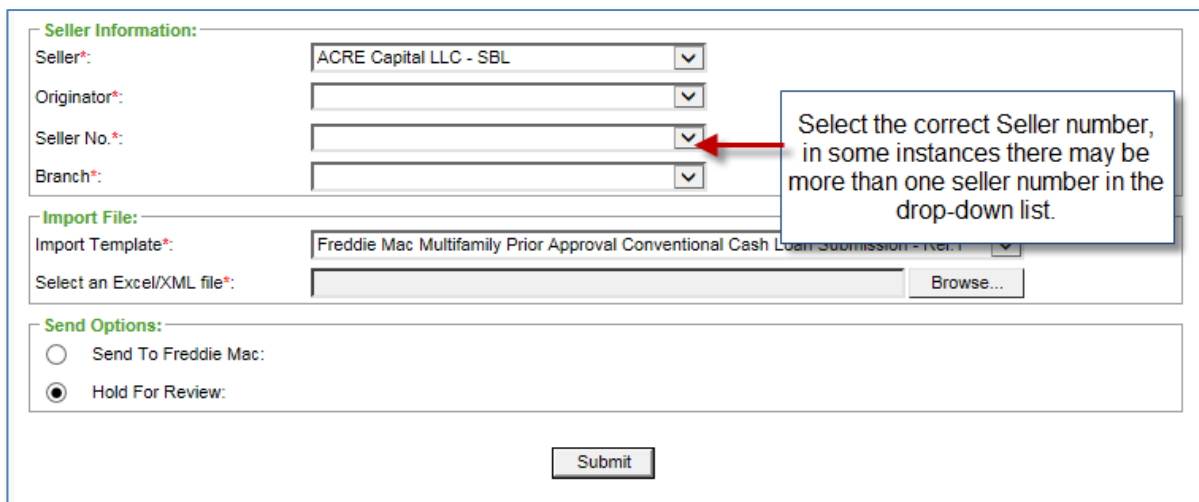
☒ Hold For Review:

Submit

4. Select the desired Seller number from the **Seller No** drop-down list.

**Note:** In some instances, there will be more than one seller number in the drop-down list, ensure that the correct seller number is chosen. The following rules apply:

- **Targeted Affordable deal, choose the Seller TAH number;**
- **TAH Bond deal, select the Seller Bond number**
- **Conventional deal, choose the related Seller number**
- **Small Balance Loan deal, choose the Seller Small Balance Loan number**



The screenshot shows a web form for submitting a loan. It includes sections for Seller Information, Import File, and Send Options. A red arrow points to the 'Seller No.' dropdown menu, which is highlighted by a callout box.

**Seller Information:**

Seller\*: ACRE Capital LLC - SBL

Originator\*:

Seller No.\*:

Branch\*:

**Import File:**

Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rev. 1

Select an Excel/XML file\*: Browse...

**Send Options:**

☐ Send To Freddie Mac:

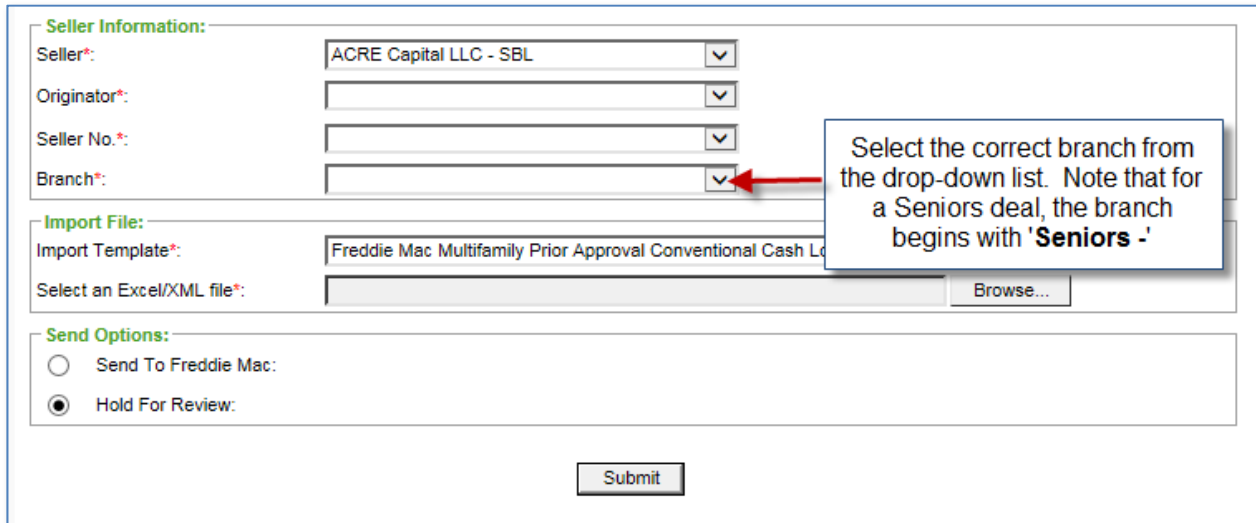
☒ Hold For Review:

Submit

Callout box text: Select the correct Seller number, in some instances there may be more than one seller number in the drop-down list.

5. Select the desired branch from the **Branch** drop-down list.

**Note: For Seniors deals, the branch name will begin with 'Seniors -'**



**Seller Information:**

Seller\*: ACRE Capital LLC - SBL

Originator\*:

Seller No. \*:

Branch\*:

**Import File:**

Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.1

Select an Excel/XML file\*: Browse...

**Send Options:**

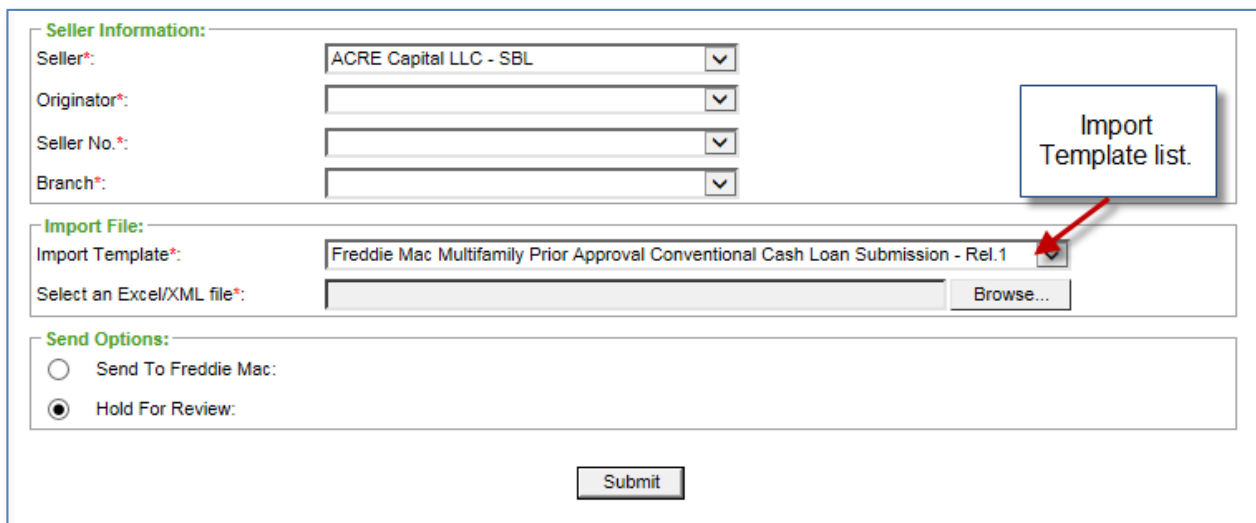
☐ Send To Freddie Mac:

☒ Hold For Review:

Submit

Select the correct branch from the drop-down list. Note that for a Seniors deal, the branch begins with 'Seniors -'

6. Select the **Import Template** drop-down list and select the version needed.



**Seller Information:**

Seller\*: ACRE Capital LLC - SBL

Originator\*:

Seller No. \*:

Branch\*:

**Import File:**

Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.1

Select an Excel/XML file\*: Browse...

**Send Options:**

☐ Send To Freddie Mac:

☒ Hold For Review:

Submit

Import Template list.

Currently there are four valid different template types, two for each version of the loan submission template.

Deal Type	Version	Import Template Type
Conventional or Seniors	1.8	Multifamily Prior Approval Conventional Cash Loan Submission – Rel. 1
TAH	1.8	Multifamily Affordable Housing Loan Submission Template – Rel. 1.
Conventional or Seniors	2.7	Multifamily Prior Approval Conventional Cash Loan Submission – Rel. 2.
TAH	2.7	Multifamily Affordable Housing Loan Submission Template – Rel. 2.

**Import File:**  
Import Template\*:  
Select an Excel/XML file\*:

Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel. 1  
Freddie Mac Multifamily Affordable Housing Loan Submission Template - Rel. 1  
Freddie Mac Multifamily Small Balance Template  
Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel. 2  
Freddie Mac Multifamily Affordable Housing Loan Submission Template - Rel. 2

**Send Options:**  
☐ Send To Freddie Mac:  
☒ Hold For Review:

Submit

**Note: The 'Freddie Mac Multifamily Small Balance Template' is not a valid Template type at this time.**



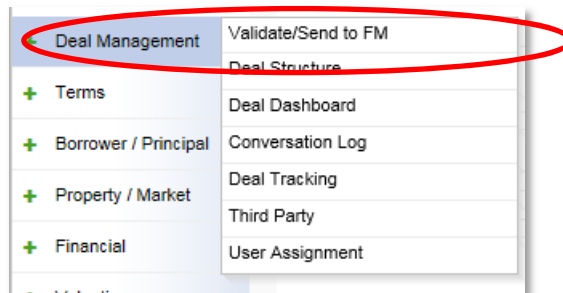
### 3 Send Options

Select one of the following Send options:

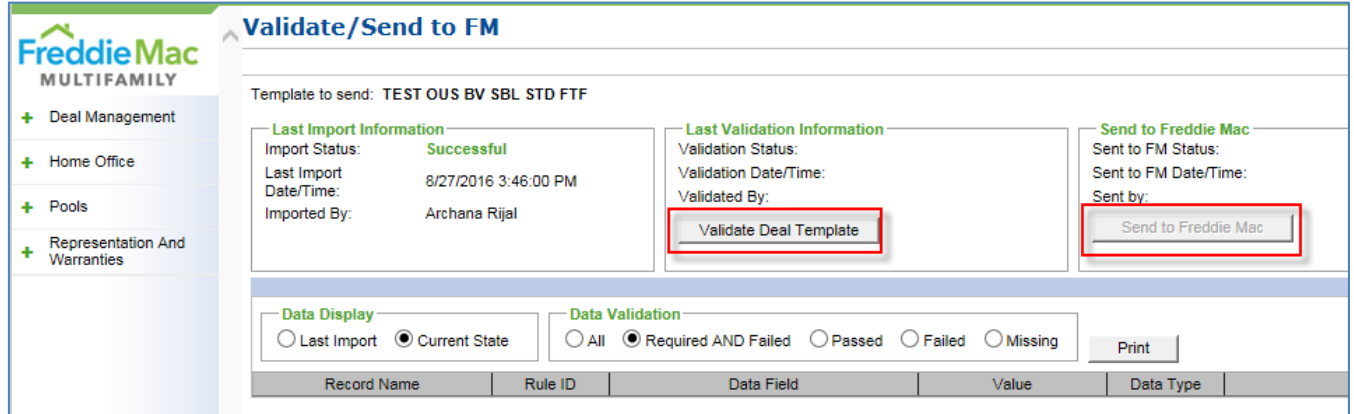
- Send to Freddie Mac.
- Hold for Review

If **Hold for Review** is selected, the deal is given a **Submitted** status and requires manual intervention from the submitter to manually promote the submitted deal to **Send to Freddie Mac**.

Navigate to **Deal Management** → **Validate/Send to FM**.



The **Validate/Send to FM** screen appears:



A screenshot of the 'Validate/Send to FM' screen in the Freddie Mac Multifamily web application. The screen displays the following information:

- Template to send:** TEST OUS BV SBL STD FTF
- Last Import Information:**
  - Import Status: **Successful**
  - Last Import Date/Time: 8/27/2016 3:46:00 PM
  - Imported By: Archana Rijal
- Last Validation Information:**
  - Validation Status:
  - Validation Date/Time:
  - Validated By:
  - A button labeled **Validate Deal Template** is highlighted with a red box.
- Send to Freddie Mac:**
  - Sent to FM Status:
  - Sent to FM Date/Time:
  - Sent by:
  - A button labeled **Send to Freddie Mac** is highlighted with a red box.

At the bottom of the screen, there are two sections: **Data Display** (with radio buttons for 'Last Import' and 'Current State', where 'Current State' is selected) and **Data Validation** (with radio buttons for 'All', 'Required AND Failed', 'Passed', 'Failed', and 'Missing', where 'Required AND Failed' is selected). A 'Print' button is also present. Below these sections is a table header with columns: Record Name, Rule ID, Data Field, Value, and Data Type.

Click **Validate Deal Template** to validate the deal. If the validation is successful, click **Send to Freddie Mac** to generate the loan number and complete the upload process.

If **Send to Freddie Mac** Send Option is chosen, the deal reaches **Submitted** status and will then attempt to automatically reach **Send to Freddie Mac** status.

### 3.1 Hold for Review

**Seller Information:**

Seller\*: ACRE Capital LLC - SBL

Originator\*:

Seller No.\*:

Branch\*:

**Import File:**

Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.1

Select an Excel/XML file\*:

**Send Options:**

☐ Send To Freddie Mac:

☒ **Hold For Review:**

'Hold for Review' option allows the submitter to upload the deal to 'Submitted' status. The user would then need to navigate to the **Deal Management-> Validate/Send to FM** page and manually click on '**Validate Deal Template**' and '**Send to Freddie Mac**' buttons to complete the upload process and generate the loan number.

### 3.2 Send to Freddie Mac

**Seller Information:**

Seller\*: ACRE Capital LLC - SBL

Originator\*:

Seller No.\*:

Branch\*:

**Import File:**

Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.1

Select an Excel/XML file\*:

**Send Options:**

☐ **Send To Freddie Mac:**

☒ Hold For Review:

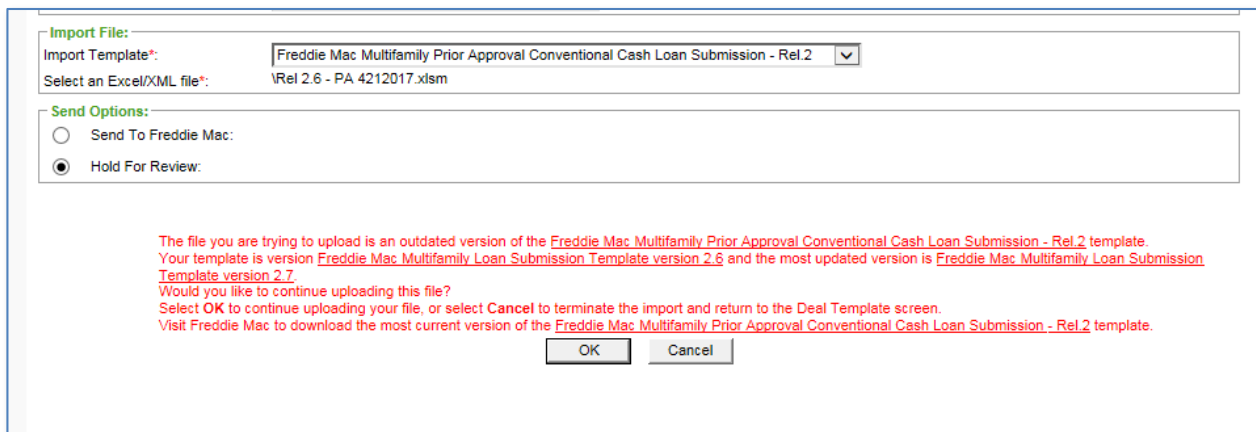
Selecting 'Send to Freddie Mac' option will upload the deal to 'Submitted' Status, and if the validation edits are successful, will automatically attempt to promote the deal to 'Send to FM' and generate the loan number.

### 3.3 Outdated LST Warning – Click ‘OK’

When new loan submission templates (LST) are introduced, there is a grace period where users may continue to upload an older version of the template for a specified period.

During this period, if a user uploads an outdated LST they may encounter the following warning message.

To continue the upload process, simply click ‘OK’.



The screenshot shows a software interface with the following elements:

- Import File:**
  - Import Template\*: Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.2 (dropdown menu)
  - Select an Excel/XML file\*: \Rel 2.6 - PA 4212017.xlsm
- Send Options:**
  - ☐ Send To Freddie Mac:
  - ☒ Hold For Review:
- Warning Message (in red text):**

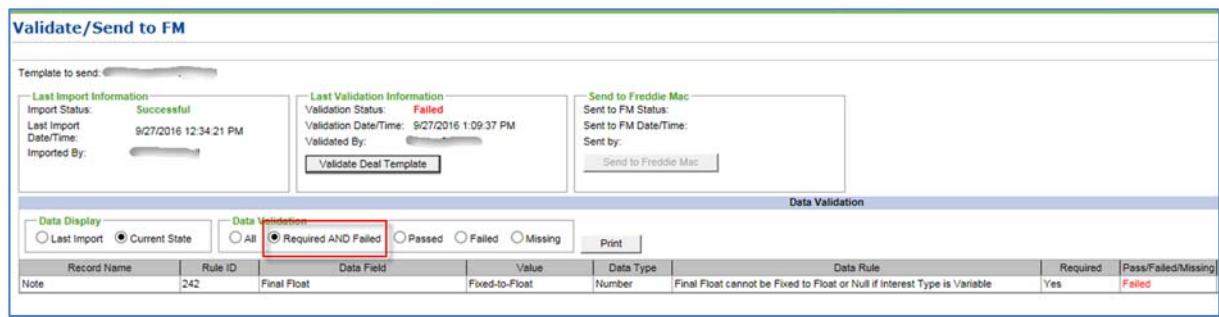
The file you are trying to upload is an outdated version of the [Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.2](#) template. Your template is version [Freddie Mac Multifamily Loan Submission Template version 2.6](#) and the most updated version is [Freddie Mac Multifamily Loan Submission Template version 2.7](#).  
Would you like to continue uploading this file?  
Select **OK** to continue uploading your file, or select **Cancel** to terminate the import and return to the Deal Template screen.  
Visit Freddie Mac to download the most current version of the [Freddie Mac Multifamily Prior Approval Conventional Cash Loan Submission - Rel.2](#) template.
- Buttons:** OK and Cancel

## 4 Researching Template Upload Validation Errors

To research a template error, navigate to **Deal Management → Validate/Send to FM**. Select one of the existing Data Validation radio buttons to provide additional information on rule statuses:

- All
- Failed
- Missing
- Passed
- Required and Failed.

**For example: Selecting Required and Failed or Failed radio button for the following upload attempt yields this result 'Final Float cannot be Fixed to Float or Null if Interest Type is Variable'.**



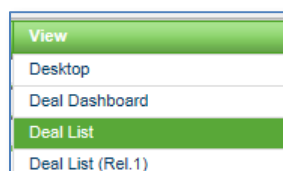
Record Name	Rule ID	Data Field	Value	Data Type	Data Rule	Required	Pass/Fail/Missing
Note	242	Final Float	Fixed-to-Float	Number	Final Float cannot be Fixed to Float or Null if Interest Type is Variable	Yes	Failed

Use the error messages as a guide to correct the loan submission template and then re-upload.

**Note:** Sometimes it may be helpful to delete the previous upload attempt and then re-upload.

To delete an existing deal with the status of **Submitted**:

1. Click on **View → Deal List**. Search for the submitted file and select the file from the Deal List.

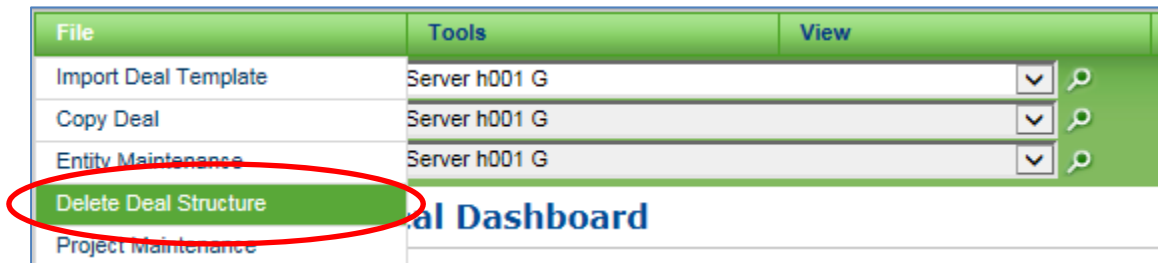


**Deal List**

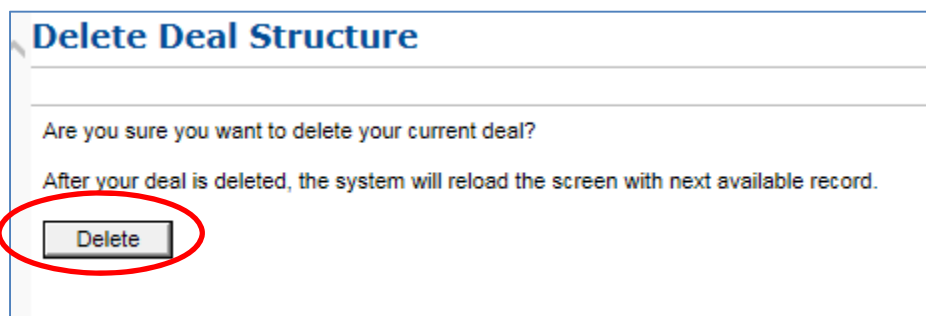
Filter by:  Search For: Deal Name

Deal Name	Deal Tracking Status	Status Date	Program	Loan Amount	Loan Number
TEST OUS BV SBL STD FTF	Submitted	08/27/2016	Prior Approval	\$3,500,000	
TEST OUS PA Rel2 Server4 Settings G	Submitted	02/23/2016	Prior Approval	\$9,500,000	
TEST OUS PA Rel2 Server2 Settings G	Submitted	02/20/2016	Prior Approval	\$9,500,000	

2. Click **File** → **Delete Deal Structure**.



3. Click **Delete**.



If an error message is received that is numeric or directs the user to call the Helpdesk for assistance, contact the Multifamily Service Desk by:

- Email - [Multifamily Service Desk](#)
- Phone - **866-MULTI-FM (866-685-8436)**.

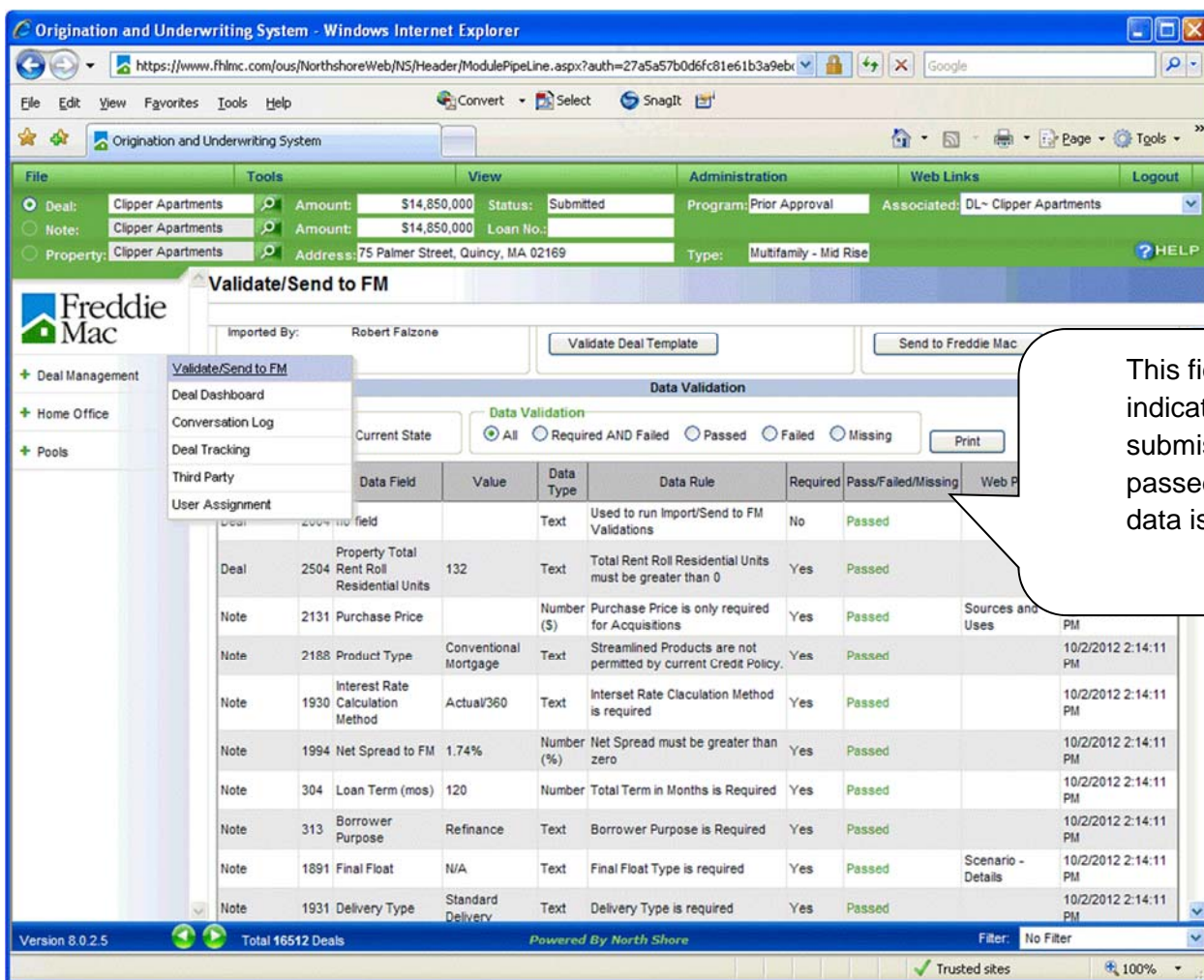
## 5 Tips and Tricks

### 5.1 Tip #1: Attain a Successful Upload to OUS

- Ensure that the LST Excel spreadsheet has **.xlsm** as the extension  
**For example:** *OUS\_LST\_v2.7.xlsm*

### 5.2 Tip #2: Template Fails the OUS Validation Test

- Go to the grid and review what caused the template to fail.
- Make the corrections and upload the file again.



Origination and Underwriting System - Windows Internet Explorer

https://www.fhlmc.com/ous/NorthshoreWeb/NS/Header/ModulePipeLine.aspx?auth=27a5a57b0d6fc81e61b3a9ebx

File Edit View Favorites Tools Help

Origination and Underwriting System

File Tools View Administration Web Links Logout

Deal: Clipper Apartments Amount: \$14,850,000 Status: Submitted Program: Prior Approval Associated: DL- Clipper Apartments

Note: Clipper Apartments Amount: \$14,850,000 Loan No:

Property: Clipper Apartments Address: 75 Palmer Street, Quincy, MA 02169 Type: Multifamily - Mid Rise

Freddie Mac

Validate/Send to FM

Imported By: Robert Falzone

Validate Deal Template Send to Freddie Mac

Data Validation

Current State: ☒ All ☐ Required AND Failed ☐ Passed ☐ Failed ☐ Missing

Print

Data Field	Value	Data Type	Data Rule	Required	Pass/Failed/Missing	Web P
Deal	2004-10 field	Text	Used to run Import/Send to FM Validations	No	Passed	
Deal	Property Total	132	Total Rent Roll Residential Units must be greater than 0	Yes	Passed	
Note	2131 Purchase Price	Number (\$)	Purchase Price is only required for Acquisitions	Yes	Passed	Sources and Uses PM
Note	2188 Product Type	Conventional Mortgage	Streamlined Products are not permitted by current Credit Policy.	Yes	Passed	10/2/2012 2:14:11 PM
Note	1930 Interest Rate Calculation Method	Actual/360	Interest Rate Calculation Method is required	Yes	Passed	10/2/2012 2:14:11 PM
Note	1994 Net Spread to FM	1.74%	Net Spread must be greater than zero	Yes	Passed	10/2/2012 2:14:11 PM
Note	304 Loan Term (mos)	120	Total Term in Months is Required	Yes	Passed	10/2/2012 2:14:11 PM
Note	313 Borrower Purpose	Refinance	Borrower Purpose is Required	Yes	Passed	10/2/2012 2:14:11 PM
Note	1891 Final Float	N/A	Final Float Type is required	Yes	Passed	Scenario - Details PM
Note	1931 Delivery Type	Standard Delivery	Delivery Type is required	Yes	Passed	10/2/2012 2:14:11 PM

Version 8.0.2.5 Total 16512 Deals Powered By North Shore Filter: No Filter

Trusted sites 100%



### 5.3 Tip #3: Enter Correct County and Zip Code

Ensure that you have the correct county and zip code. If either is incorrect, an error will occur and prevent the LST from uploading.

1	DATA ITEMS REQUIRED TO RECEIVE A FREDDIE MAC QUOTE IN BLUE FIELDS, WHITE FIELDS REQUIRED FOR EARLY RATE LOCK APPLICATION.	
2	LOAN PURPOSE	
3	LOAN PRODUCT TYPE	
4	<b>A. PROPERTY DATA</b>	
5	Property Name	
6	Address	
7	City	
8	State	
9	County	
10	Zip Code	
11	Property Type	
12	Number of Units (This pulls to R/E tab)	
13	Year Built	
14	Year Renovated	
15	Co-Op	
16	Ground Lease	
17	Earthquake Insurance Required?	
18	Heat Utilities	
19	Electric Utilities	
20	Water/Sewer	
21		

Seller/Service	
Seller/Service Branch City	
Seller/Service Branch State	
Seller/Service Originator Name	

### 5.4 Tip #4: Prevent Upload Errors (Hedge Protection) (Applies to LST 1.8 only) -

To prevent upload errors, type **N/A** on line 65 **Hedge Protection** in the Input tab.

B. LOAN TERMS	
QUOTE SCENARIO #1 (MAIN)	1st Mortgage
Loan Amount:	\$0
Note Type	(Please select from list)
Hedge Protection	(Please select from list)
Final Float	(Please select from list)
Lien position	(Please select from list)
Total Term (mos)	0
Final Float Term (mos)	0
Amortization Schedule(mos)	
Interest-Only Term (in mos)	0
Amort. Schedule after IO Term (mos)	
Prepay Term (mos)	
Prepay Type (if "Other", elaborate in narrative)	(Please select from list)
Yield Maintenance with Treasuries Plus:	(Please select from list)
Cost-Basis - Original	\$0.00

### 5.5 Tip #5: Input tab - Required Information (Applies to all LSTs)

To submit a template, you must fill in, at a minimum, cell B3 thru cell B30 on the Input tab and the Seller/Service information. It is recommended to fill in as much information as you can.

DATA ITEMS REQUIRED TO RECEIVE A FREDDIE MAC QUOTE IN BLUE FIELDS, WHITE FIELDS REQUIRE	
LOAN PURPOSE	(Please select from list)
PRODUCT TYPE	(Please select from list)
Supplemental	N/A
Revolver	(Please select from list)
<b>A. PROPERTY DATA</b>	
Property Name	
Address	
City	
State	(Please select from list)
County	
Zip Code	
Scattered Site	(Please select from list)
Property Type	(Please select from list)
Number of Units (Value populates I&E tab)	0
Year Built	
Year Renovated	
Co-Op	(Please select from list)
Ground Lease	(Please select from list)
Earthquake Insurance Required?	(Please select from list)
Heat Utilities	(Please select from list)
Electric Utilities	(Please select from list)
Water/Sewer	(Please select from list)

## 5.6 Tip #6: Do Not Type Over Drop-Down Boxes (Applies to all LSTs)

Do not type in any cells that have a drop-down list, always select from the drop-down list. The template will not upload successfully if data is typed and not selected.

**Note:** A form that has not been completely filled out will have **Please select from list** in the cells that have drop-down lists.

LOAN PURPOSE	(Please select from list)
PRODUCT TYPE	(Please select from list)
Supplemental	N/A
Revolver	(Please select from list)
<b>A. PROPERTY DATA</b>	
Property Name	
Address	
City	
State	(Please select from list)
County	
Zip Code	
Scattered Site	(Please select from list)
Property Type	(Please select from list)
Number of Units (Value populates I&E tab)	0
Year Built	
Year Renovated	
Co-Op	(Please select from list)
Ground Lease	(Please select from list)
Earthquake Insurance Required?	(Please select from list)
Heat Utilities	(Please select from list)
Electric Utilities	(Please select from list)
Water/Sewer	(Please select from list)

## 5.7 Tip #7: Do Not Use Any Special Characters (Applies to all LSTs)

Do not use any special characters (i.e., @, \*, &,") when filling in the description boxes. This is especially true for **Property Name** and **Address** fields. Spell out the word **and** as opposed to using an ampersand (&) for any information within these light blue fields. If incorrect data is entered a pop-up window is displayed.

## 5.8 Tip #8 Description Box Limitations (Applies to all LSTs)

It is recommended that the light blue cells contain a maximum of 30 characters including spaces.

## 5.9 Tip #9 Light Blue Fields - Detailed Instruction Boxes (Applies to all LSTs)

Some light blue fields offer detailed information for the cell. Click in a light blue box for detailed instructions.

Scattered Site	(Please select from list)	<div>YEAR BUILT is required; estimate will be acceptable. Format: YYYY</div>
Property Type	(Please select from list)	
Number of Units (Value populates I&E tab)	0	
Year Built		
Year Renovated		
Co-Op	(Please select from list)	
Ground Lease	(Please select from list)	
Earthquake Insurance Required?	(Please select from list)	
Heat Utilities	(Please select from list)	
Electric Utilities	(Please select from list)	
Water/Sewer	(Please select from list)	
No. of Residential Buildings	No. of Stories	

## 5.10 Tip #10 Rent Roll tab - Rent Roll Description Section (Applies to all LSTs)

The rent description on the Rent Roll tab can only be 10 characters in length.

RENT ROLL ANALYSIS																																																																																																									
INSTRUCTIONS FOR RENT ROLL TEMPLATE:																																																																																																									
1. Enter unit type configurations in the provided 10 columns below currently filled with examples. You can add up to 10 more unit types/columns as necessary by clicking on the "Add 5/10 Unit Types (Columns)" button provided in the top right corner of this spreadsheet tab. 2. Data entry is only allowed in blue highlighted cells. Under the "Contract Rent" column, enter the lease contract rent for occupied units and market rent for vacant units such that each unit is represented by a row. Add additional units (rows) if necessary by clicking on the "Add 10 Units (Rows)" button provided at the bottom. 3. For each unit, "Occupancy Status" only needs to be entered "Vacant" if the unit is vacant, otherwise, leave the cell blank. 4. Vacancy losses in dollars do not need to be entered. If the "Occupancy Status" column is marked "Vacant" then the value in the "Contract Rent" column will be the vacancy loss in dollars. 5. For each unit, enter any amounts associated with concessions, employee allowance, model/office allowance, and rent subsidies in the appropriate column.																																																																																																									
Rent Roll Date: <input type="text"/>																																																																																																									
<table border="1"> <thead> <tr> <th colspan="10">Unit Types</th> </tr> <tr> <th>Enter # Bedrooms &lt;=&gt;</th> <th>1</th> <th>1</th> <th>2</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> </tr> <tr> <th>Enter # Bathrooms &lt;=&gt;</th> <th>1</th> <th>1</th> <th>2</th> <th># Baths</th> <th># Baths</th> <th># Baths</th> <th># Baths</th> <th># Baths</th> <th># Baths</th> </tr> <tr> <th># Bedrooms / # Bathrooms</th> <th>1/1</th> <th>1/1</th> <th>2/2</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> <th># Bedrooms</th> </tr> <tr> <th>Seller / Servicer Designated Unit Type &lt;=&gt;</th> <th>A1</th> <th>B1</th> <th>C1</th> <th>Unit Type</th> <th>Unit Type</th> <th>Unit Type</th> <th>Unit Type</th> <th>Unit Type</th> <th>Unit Type</th> </tr> </thead> <tbody> <tr> <td>Occupancy Status</td> <td>Building #</td> <td>Unit #</td> <td>Unit Type</td> <td>Contract Rent</td> <td>Concession</td> <td>Employee Allowance</td> <td>Model / Office</td> <td>Subsidy</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Square Footage</td> <td>Square Footage</td> <td>Square Footage</td> <td>Square Footage</td> <td>Square Footage</td> <td>Square Footage</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="10">CONTRACT RENT</td> <td>Vacant Amount</td> </tr> </tbody> </table>															Unit Types										Enter # Bedrooms <=>	1	1	2	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	Enter # Bathrooms <=>	1	1	2	# Baths	# Baths	# Baths	# Baths	# Baths	# Baths	# Bedrooms / # Bathrooms	1/1	1/1	2/2	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	Seller / Servicer Designated Unit Type <=>	A1	B1	C1	Unit Type	Unit Type	Unit Type	Unit Type	Unit Type	Unit Type	Occupancy Status	Building #	Unit #	Unit Type	Contract Rent	Concession	Employee Allowance	Model / Office	Subsidy						Square Footage	Square Footage	Square Footage	Square Footage	Square Footage	Square Footage											CONTRACT RENT										Vacant Amount
Unit Types																																																																																																									
Enter # Bedrooms <=>	1	1	2	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms																																																																																																
Enter # Bathrooms <=>	1	1	2	# Baths	# Baths	# Baths	# Baths	# Baths	# Baths																																																																																																
# Bedrooms / # Bathrooms	1/1	1/1	2/2	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms	# Bedrooms																																																																																																
Seller / Servicer Designated Unit Type <=>	A1	B1	C1	Unit Type	Unit Type	Unit Type	Unit Type	Unit Type	Unit Type																																																																																																
Occupancy Status	Building #	Unit #	Unit Type	Contract Rent	Concession	Employee Allowance	Model / Office	Subsidy																																																																																																	
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CONTRACT RENT										Vacant Amount																																																																																															

### 5.11 Tip #11 Brief Part A- Print Brief Button (Applies to LST 1.8 for TAH only)

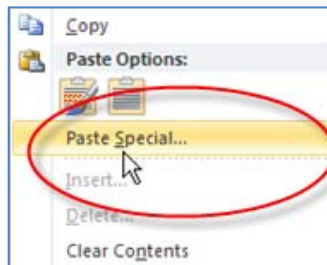
**Print Brief** on FMAC Brief Part A is broken and requires the user to go through the **Print Preview** on every page of the brief.



The screenshot shows the 'Investment Brief' form. At the top right, there are buttons for 'Show Brief Only', 'Print Brief', 'Show ASR Only', 'Print ASR', and 'Print Sources & Uses'. The 'Print Brief' button is circled in red. Below the buttons, there is a section for 'Loan Number: Enter Loan #' and a list of checkboxes for various criteria. At the bottom, there is a confirmation statement.

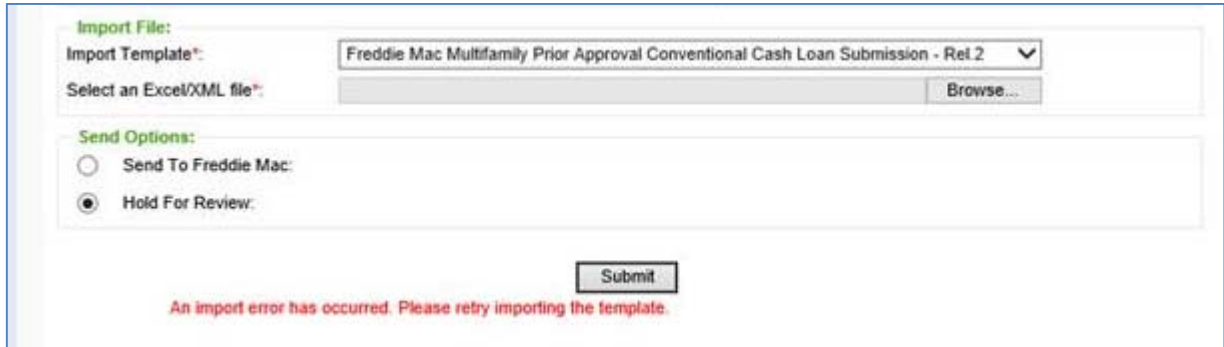
### 5.12 Tip #13 Cut and Paste Values Into the Templates (Applies to all LSTs)

Cutting and pasting data into the template will erase the formulas built into the template. In order to keep the formulas in place, cut and paste the values using **Paste Special**.



### 5.13 Tip #14 An Import Error has Occurred – Null Values in Rent Roll (Applies to all LSTs)

If the following error, **An import error has occurred. Please retry importing the template**, is received during the loan submission template submission, often the cause of the error is due to an issue with the Standard Rent Roll header.



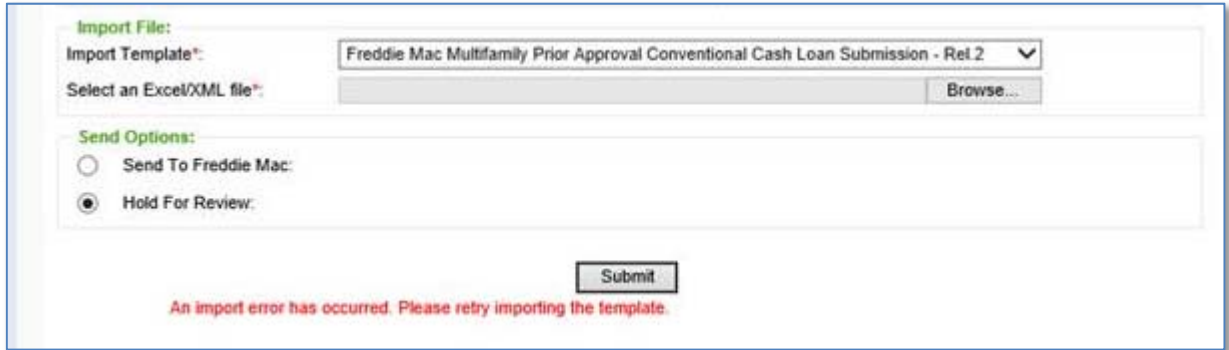
Review the Rent Roll tab.

In the screen capture below, the user has mistakenly removed the Standard Rent Roll header (# Bedrooms, #Baths, Unit Type, and Square Footage) from columns O, P, Q, and R. This creates null values which the system cannot process. To repair, copy the value ('# Bedrooms') from another completed column such as S or T and paste the value and underlying formula into the corresponding cell in columns O through R. Repeat the process for each of '#Baths', 'Unit Type', and 'Square Footage'. Save the changes and retry the upload process.

	L	M	N	O	P	Q	R	S	T
<p>an add up to 10 more unit types/columns as necessary by et tab. contract rent for occupied units and market rent for vacant units Add 10 Units (Rows)" button provided at the bottom. e the cell blank. nt" then the value in the "Contract Rent" column will be the wance, and Rent Subsidies in the appropriate column. umn K.</p>									
<b>Unit Types</b>									
> 1	0	2						# Bedrooms	# Bedrooms
> 2	1	2						#Baths	#Baths
s 1/2	0/1	2/2	/	/	/	/		Bedrooms/#Baths	Bedrooms/#Baths
> 1and2	Studio	TwoBed						Unit Type	Unit Type
1,300	800	1,750						Square Footage	Square Footage
<b>CONTRACT RENT</b>									
\$1,000	\$950								

## 5.14 Tip #15 An Import Error has Occurred – Duplicate Designated Unit Types in Rent Roll (Applies to all LSTs)

The error, **An Import Error has Occurred. Please retry Importing the Template**, also occurs when the same defined unit type is used twice or more times in a LST Rent Roll.



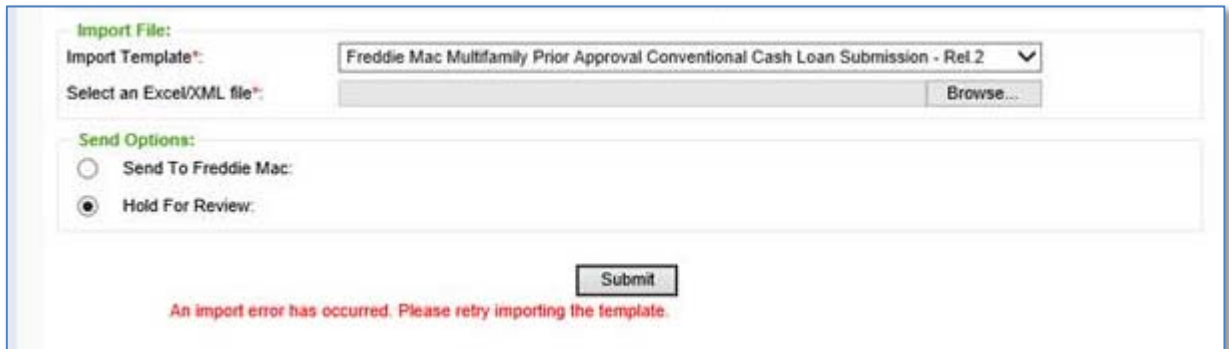
In the following example, the Unit Type 'TwoBed' is used twice, in columns N and O. To repair this, change Designated Unit Type Name 'TwoBed' in either column N or O to make it distinct. *(Remember to also update the data in the Rent Roll detail section.)*

	K	L	M	N	O	P
<p>h examples. You can add up to 10 more unit types/columns as necessary by er of this spreadsheet tab.</p> <p>nn, enter the lease contract rent for occupied units and market rent for vacant units y by clicking on the "Add 10 Units (Rows)" button provided at the bottom.</p> <p>ant, otherwise, leave the cell blank.</p> <p>mn is marked "Vacant" then the value in the "Contract Rent" column will be the</p> <p>ce, Model/Office Allowance, and Rent Subsidies in the appropriate column.</p> <p>and column G to column K.</p>						
	Unit Types					
Enter # Bedrooms =>	1	0	2	2		#Bedrooms
Enter # Bathrooms =>	2	1	2	2		#Baths
rooms / # Bathrooms	1/2	0/1	2/2	2/2		#Bedrooms/#Baths
Designated Unit Type =>	1and2	Studio	TwoBed	TwoBed		Unit Type
Subsidy	1,300	800	1,750	1,750		Square Footage
	CONTRACT RENT					
	\$1,000					
		\$950				
			\$1,500	\$1,500		



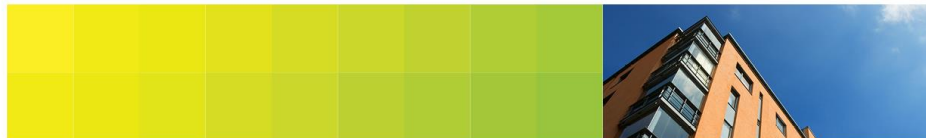
### 5.15 Tip #16 An Import Error has Occurred – Zeroes inserted in Unused Column Headers in Rent Roll (Applies to all LSTs)

In the following example the submitter has attempted to insert '0's in unused Unit Types in columns N and O, producing the Import error, **An Import Error has Occurred. Please retry Importing the Template.**



To resolve this issue, try copying the value ('# Bedrooms') from a complete column such as P and paste the value and underlying formula into the corresponding cell in columns N and O. Repeat the process for each of '#Baths', 'Unit Type', and 'Square Footage'. Save the changes and retry the upload process.

	K	L	M	N	O	P
<p>Examples. You can add up to 10 more unit types/columns as necessary by clicking on the "Add 10 Units (Rows)" button provided at the bottom.</p> <p>Enter the lease contract rent for occupied units and market rent for vacant units by clicking on the "Add 10 Units (Rows)" button provided at the bottom.</p> <p>Contract Rent, otherwise, leave the cell blank.</p> <p>Contract Rent is marked "Vacant" then the value in the "Contract Rent" column will be the</p> <p>Contract Rent, Model/Office Allowance, and Rent Subsidies in the appropriate column.</p> <p>Contract Rent and column G to column K.</p>						
	<b>Unit Types</b>					
Enter # Bedrooms =>	1	0	0	0	0	# Bedrooms
Enter # Bathrooms =>	2	1	0	0	0	#Baths
Bedrooms / # Bathrooms	1/2	0/1	0/0	0/0	0/0	# Bedrooms/#Baths
Designated Unit Type =>	1and2	Studio	0	0	0	Unit Type
Subsidy	1,300	800	0	0	0	Square Footage
	<b>CONTRACT RENT</b>					
	\$1,000					
		\$950				

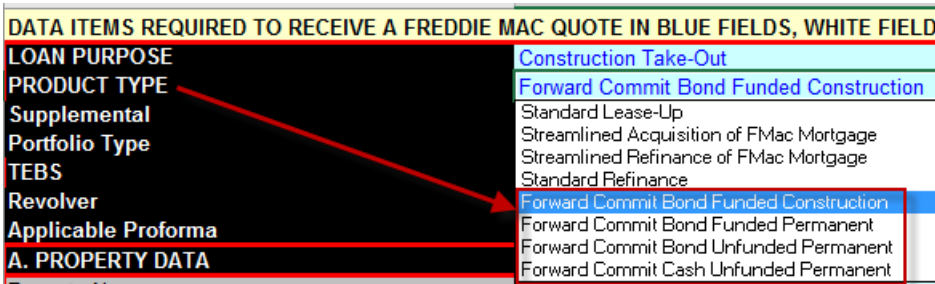
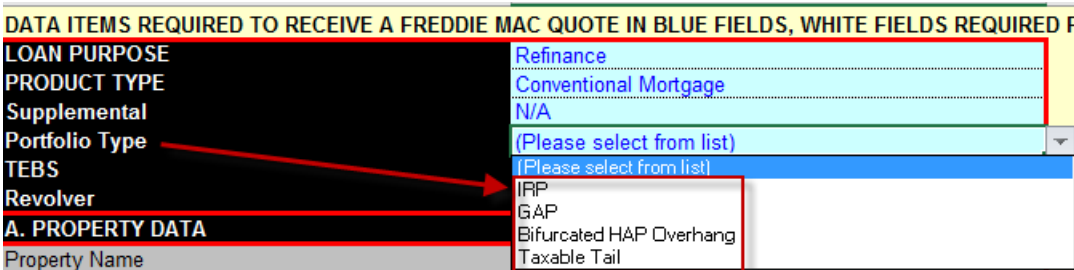


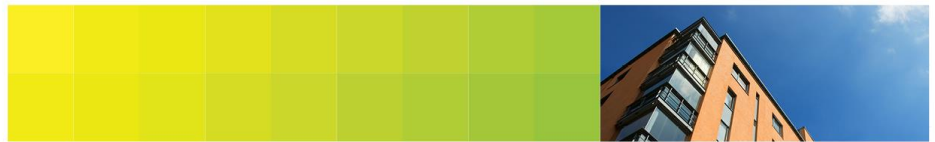
## What's New in LST 2.7

### About this Job Aid

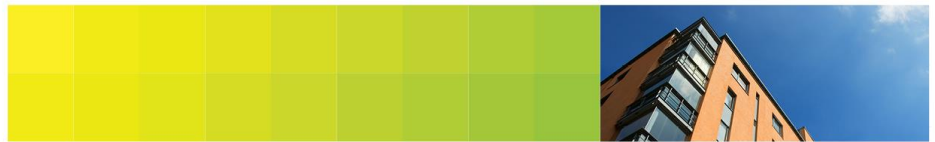
This job aid uses short descriptions and screen shots to identify the new items in Loan Submission Template (LST) 2.7, available on the Freddie Mac Multifamily website at [Selecting the Correct Loan Submission Template \(LST\) page](#).

### New Items in the LST 2.7

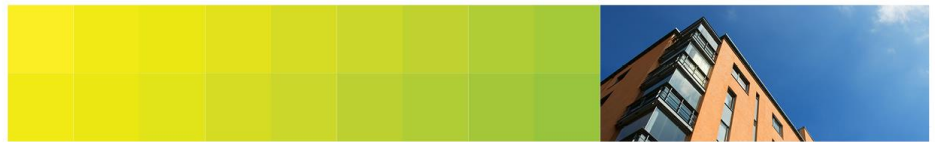
Tab	Description
Input Sheet	<p>LST 2.7 will be used for submission of Targeted Affordable Housing (TAH) initial submission and conversion deals to Freddie Mac.</p> <p>New products added:</p> <ul style="list-style-type: none"> <li>Funded Forward Bonds</li> <li>Unfunded Forward Cash</li> <li>Unfunded Forward Bond</li> </ul> 
Input Sheet	<p>LST 2.7 will be used for submission of TAH Gap, Investor Reporting Package (IRP) and taxable tail loans.</p> <p>Portfolio Type identifier added in TAH version of LST.</p> 
Input Sheet	<p>LST 2.7 will be used to submit Tax-Exempt Bond Securitization (TAH LST) and Asset loans (Seed and additional) for Revolving Credit Facility.</p> <p>TEBS and Revolver deal identifier added in Input sheet.</p>



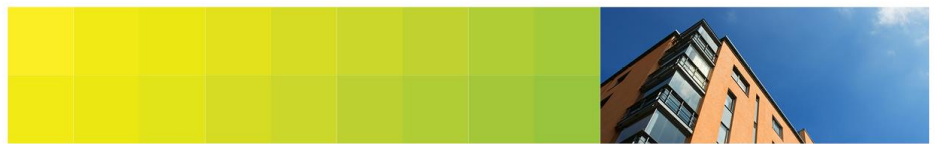
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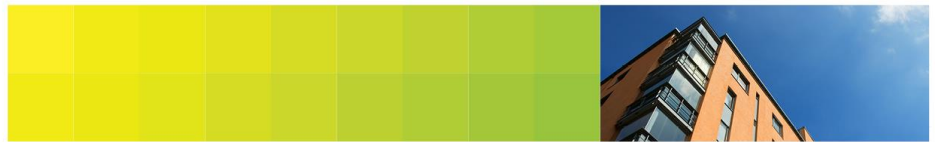
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	<div> <div> <b>LOAN PURPOSE</b>  <b>PRODUCT TYPE</b>  <b>Supplemental</b>  <b>Portfolio Type</b>  <b>TEBS</b>  <b>Revolver</b>  <b>Applicable Proforma</b> </div> <div> Construction Take-Out  Forward Commit Bond Funded Construction  N/A  (Please select from list)  Yes  (Please select from list)  (Please select from list) </div> </div> <div> <b>A. PROPERTY DATA</b> <div> <div> Property Name Address City State County Zip Code Scattered Site Deal Number Deal Name Pool Number Property Type Number of Units (Value populates I&amp;E tab) Year Built Year Renovated Co-Op Ground Lease Earthquake Insurance Required? Heat Utilities Electric Utilities Water/Sewer </div> <div> TEST OUS FWDS BV Funded Bond Rel2 Server R309  1239 Main Street  Los Angeles  CA  Los Angeles  90813  Yes          Mid Rise  68  1999  2014  Yes  None  Yes  Borrower pays  Borrower pays  Borrower pays </div> </div> <div> <div> No. of Residential Buildings 4  List All (Non-Residential) Buildings Acreage Elevators No. of Surfaced Spaces No. of Attached Garage Spaces </div> <div>     3.876  13  8  10 </div> </div> <div> No. of Stories 6  Mid Raise, Lower level, High Raised </div> </div> <div> Add Address Record </div> <div> Instructions Input Sheet Narrative Quote Scenario #2 TAH &amp; Bonds Construction Rent Roll </div>																																																																														
TAH & Bonds Tab	<p>Provision of two additional Third Party debt grids for entering third party information.</p> <table border="1"> <thead> <tr> <th colspan="6">Third Party Debt</th></tr> <tr> <th>Third Party Debt Entities</th><th>Third Party Debt #1</th><th>Third Party Debt #2 (if applicable)</th><th>Third Party Debt #3 (if applicable)</th><th>Third Party Debt #4 (if applicable)</th><th>Third Party Debt #5 (if applicable)</th></tr> </thead> <tbody> <tr> <td>Debt Source Name</td><td>Testing 001</td><td>002</td><td>003</td><td></td><td></td></tr> <tr> <td>Debt Source Description</td><td>Third Party</td><td>State Government</td><td>Federal Government</td><td>(Please select from list)</td><td>(Please select from list)</td></tr> <tr> <td>Debt Type</td><td>Mezzanine Debt</td><td>Soft Debt</td><td>Soft Debt</td><td>(Please select from list)</td><td>(Please select from list)</td></tr> <tr> <td>Lien Position</td><td>2</td><td>3</td><td>4</td><td>(Please select from list)</td><td>(Please select from list)</td></tr> <tr> <td>Loan Amount</td><td>\$1,789,000</td><td>\$1,000,000</td><td>\$2,000,000</td><td></td><td></td></tr> <tr> <td>Total Term (Months)</td><td>84</td><td>24</td><td>360</td><td></td><td></td></tr> <tr> <td>Amortization Type</td><td>Am</td><td>Am</td><td>Am</td><td>(Please select from list)</td><td>(Please select from list)</td></tr> <tr> <td>Amortization (Months)</td><td>45</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Annual Debt Service</td><td>\$23,900</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Interest Type</td><td>Variable</td><td>Fixed</td><td>Fixed</td><td>(Please select from list)</td><td>(Please select from list)</td></tr> <tr> <td>Note Rate</td><td>2.330%</td><td></td><td></td><td></td><td></td></tr> </tbody> </table>	Third Party Debt						Third Party Debt Entities	Third Party Debt #1	Third Party Debt #2 (if applicable)	Third Party Debt #3 (if applicable)	Third Party Debt #4 (if applicable)	Third Party Debt #5 (if applicable)	Debt Source Name	Testing 001	002	003			Debt Source Description	Third Party	State Government	Federal Government	(Please select from list)	(Please select from list)	Debt Type	Mezzanine Debt	Soft Debt	Soft Debt	(Please select from list)	(Please select from list)	Lien Position	2	3	4	(Please select from list)	(Please select from list)	Loan Amount	\$1,789,000	\$1,000,000	\$2,000,000			Total Term (Months)	84	24	360			Amortization Type	Am	Am	Am	(Please select from list)	(Please select from list)	Amortization (Months)	45					Annual Debt Service	\$23,900					Interest Type	Variable	Fixed	Fixed	(Please select from list)	(Please select from list)	Note Rate	2.330%				
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LST Production Support
<ul style="list-style-type: none"> <li>For immediate technical support, contact 866 MULTI-FM (866-685-8436).</li> <li>For less critical needs, contact <a href="mailto:MF_Service_Desk@freddiemac.com">MF_Service_Desk@freddiemac.com</a> or your Freddie Mac Production Team.</li> </ul>



# Appendix E:

## Third Party Reports Best Practices

1. Real Estate Appraisals
2. Property Condition and Environmental Reports
3. Report Review Aid for Environmental Reports
4. Report Review Aid for Property Condition Reports







# Real Estate Appraisals

## Common Issues and Best Practices

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### Real estate appraisals are the first line of credit risk defense

### Key Takeaways

- Common areas for improvement
- Selecting the best appraisers
- Evaluating appraisal reports
- What is expected from the appraiser

### Common Issues

In our review of appraisal reports, we are finding that although many appraisals contain a reasonable quantity of facts and descriptions, these facts are not always related back to their impact on the valuation of the subject property.

Appraisers are generally good at extracting data from the market and analyzing that data in each of the three approaches to value. However, we have seen deficiencies in conveying valuation in a format and context that provides the client with an adequate understanding of the methodology and thought process that leads the appraiser to their conclusion.

A well-written appraisal anticipates and addresses a reviewer's questions. Many narrative reports lack a summary thread that relates how the findings of the report impact the value of the subject property. We have found that the difference between a well-written appraisal and a below average appraisal is usually the addition of a detailed descriptive analysis in each section of the report and a concise summary at the conclusion of each section. Typically, the addition of this verbiage does not change the valuation, but it can dramatically improve the efficiency of our review process and response time by reducing the need to clarify the appraiser's thought processes.

In addition to the requirements outlined in Chapters 12-14 of the Freddie Mac Multifamily Seller/Service Guide (Guide), below is a list of best practices to help you evaluate real estate appraisals. Please note that these best practices are not new requirements, nor do they replace existing requirements, but rather are applied, contextual support that complements the requirements of the Guide.

### Best Practices

#### Selecting the best appraisers

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- Evaluate and select appraisers based on qualifications and quality of work — not strictly based on price or turnaround time
- Ensure appraisers are qualified, including the staff that does the site inspection:
  - The Guide requires that anyone signing an appraisal report as a supervisory appraiser must have inspected the subject property
  - The Seller should maintain an active approved appraiser file with qualifications and performance information



- On a case-by-case basis, select the appraisers that are most appropriately qualified and experienced to conduct an analysis of the specific property (e.g., market rate properties, affordable housing properties, or mixed-use projects) as well as the property's market and sub-market

### **Managing engagement**

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- Sellers should interact with appraisers prior to project engagement:
  - Convey any unique aspects of the transaction that would impact the appraiser's analysis or data requirements.
  - At the time of the engagement, it is the Seller's responsibility to provide the appraiser with all pertinent information required to provide a supportable opinion of market value
- Engagement letters should clearly state:
  - The definition of market value the appraiser is to use
  - The ownership interest the appraiser is to appraise (i.e., leased fee versus leasehold)
  - Whether the valuation of the property is as-is, as-complete, and/or as-stabilized
- Provide feedback (positive and negative) to the appraisers in a timely manner
- The Seller should provide environmental and engineering reports to the appraiser in a timely manner so the appraiser can incorporate the findings of these third-party reports into their valuation analysis prior to the appraisal's transmittal to Freddie Mac

### **Evaluating reports**

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- Sellers must review reports and confirm compliance with the Guide (particularly Chapter 12) and the Uniform Standards of Professional Appraisal Practice (USPAP), as required by the Seller's representations and warranties, prior to forwarding the appraisal to Freddie Mac
  - Incorporating corrections of any material errors or omissions found during the Seller's appraisal review prior to its transmittal to Freddie Mac generally results in shortened and more efficient appraisal review and underwriting processes
- Sellers should not close deals with unresolved appraisal or valuation issues since the final appraisal conclusions might not conform to the draft value

### **Appraisal methodology, analysis, and reporting**

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#### **Capitalization Rate:**

In a period of uncertain economic conditions, the estimation of a capitalization rate becomes more difficult due to the lack of a large pool of available data but, at the same time, becomes that much more critical to an accurate valuation estimate

- The appraiser must discuss and relate the selected capitalization rate to the subject property's particular characteristics such as market and regional issues, physical condition, economics (e.g., vacancies and operational issues), and legal constraints (e.g., zoning and ownership structure)



- The appraiser should develop the capitalization rate using each of the following techniques, if applicable (when sufficient data is not available or a particular technique is not applicable, the appraiser should explain those limitations in the report):
  - Data extracted from comparable sales
  - Published sources
  - Personal surveys and interviews with market participants
  - Band of investment method (also known as the mortgage-equity technique)
  - Debt coverage ratio model
- The selected final overall capitalization rate should be representative of the range of the results from these methodologies and not show a bias to either the low or high side of the range

### **Zoning and Legal Issues:**

- Zoning and other legal issues are important determinants of value, even for an existing, stabilized property and the appraiser must address the following at a minimum:
  1. Does the parking ratio comply with current zoning code? (i.e., number of parking spaces per rental unit)
  2. Does the unit density comply with current zoning code? (i.e., rental units per acre)
  3. If the property experiences substantial damage or casualty loss, can it be rebuilt to the same number of units as the basis for the appraiser's value?
- Although the appraiser's interpretation of the local zoning code is important, the appraiser should provide an authoritative reference or zoning office source to support its analysis and conclusions
- If the local zoning code is available online, the appraisal should include a URL reference
- A comparison to competing properties would be appropriate to better understand any market advantage or disadvantage the property might have in parking, unit size, or unit density
  - For example, a discussion and analysis of parking comparables might be required if the subject property has insufficient parking (either as a comparison to competing properties or based on zoning regulations)
  - This deficiency is an obsolescence issue that must be considered in all three approaches to value

### **Comparables:**

- Adjustments to comparables, either in the sales comparison approach or for rental comparables, must be sufficiently discussed by the appraiser
  - Appraisers should provide a description of the factors that differentiate the comparable from the property when making comments such as, "the comparable was adjusted upward for inferior condition"



- Without statistical analysis or a paired sale analysis, adjustments to comparable sales and comparable rents can typically be subjective and imprecise. If appraisers make precise adjustments to a comparable sale or rent — 1, 3, or 7 percent, for instance — sufficient data or discussion should be provided to support their analysis
- Appraisers should discuss each attribute or component adjustment separately for maximum clarity
- When applicable, economies of scale should generally require a very small adjustment to the comparable, typically in the 5 percent range, as larger adjustments would suggest the property may not be truly comparable to the subject property
- The appraiser should not use atypical sales transactions (e.g., 1031 exchanges or allocated sales that were part of a portfolio transaction) as comparables either in the sales comparison approach or for the capitalization rate

### **Valuation Approaches:**

- As stated in *The Appraisal of Real Estate* (13th edition), “a net income multiplier analysis is simply the reciprocal of the capitalization of net income from the income approach and is not an appropriate analytical tool for the sales comparison approach”
- Multiplying market rents by the number of units to derive potential gross income without adjustment or consideration for actual contract rent is not appropriate appraisal methodology for a leased fee analysis nor compliant with the Seller/Service Guide
- Both the expense ratio and the expense-per-unit should be provided for each expense comparable in the analysis and review of operating expenses under the income approach
- Appraisers should estimate the leased fee interests in the subject property, regardless of whether the subject’s leases are at current market levels
- If the ownership of the property is subject to a ground lease, then the appraisal is of the leasehold interests, even if the ground lease is only for a nominal amount, such as \$1.00 per year
- The cost approach is not always applicable to some older properties with concerns about estimating depreciation or the availability of comparable land sales, however, the elimination of this valuation method from the appraisal requires that the appraiser discuss the rationale for its exclusion
- If the appraiser does choose to include the cost approach in the appraisal, then the analysis should include the following:
  - The replacement cost estimate and the structure classification of the property must match the description of the building provided by the appraiser
  - The source and date of the replacement cost data must be disclosed
  - A comparison of the property’s actual construction costs to the replacement cost data for new or recently constructed properties
- Temporary market conditions, such as unusual vacancy or concessions, should not be capitalized in perpetuity but should typically be considered as a present value deduction





from the valuation, either from each approach to value them separately or from the overall value conclusion after reconciling the three approaches

- A discounted cash flow analysis may be required for a property that is experiencing destabilized operations. If a discounted cash flow analysis is included in the appraisal, the appraiser should discuss and provide adequate support for the model's inputs including income and expense assumptions, financial/yield rate assumptions, and the holding period. Generally, extending the analytical period to only the first full year following stabilized operations will produce the most accurate value

## Report format and documentation

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In our reviews, report format and documentation quality are clear indicators of an appraiser's attention to detail, professionalism, and ultimate service value

- The following are common signs of above average performance:
  - Complete and germane data
  - Accurate math calculations
  - Consistent and easy to follow format
  - Appropriate choice, placement, quantity, and quality of exhibits
  - No catchall disclaimers such as, "The appraiser did not observe any easements during the inspection" or "A legal description (or plat, survey, and/or construction drawings) was not provided to the appraiser." Easements must be documented by a plat reference, title policy, or other documentation
- The appraiser should document which units it inspected for the report, when the inspection took place, and a description of the condition of each unit
- The appraiser should document that it has reviewed an environmental report as part of the appraisal process (i.e., date of the consulting report, who prepared the report, and a summary of the report's conclusions)
- The appraiser should compare its estimate of the improvements' remaining economic life to the mortgage loan term
  - Repayment of the loan may be in jeopardy if the remaining economic life of the property is shorter than the loan term
- Sources of the appraiser's assumptions (e.g., building size or acreage) should be documented and referenced in the report
- Occupancy surveys of competing properties should clearly indicate whether the appraiser is measuring vacancy in terms of number of units empty on a particular date or income lost due to vacancy at a particular point in time
- Surveys of any type should be dated (i.e., month and year) and the assumptions or methodologies of the surveys should be clearly explained



## Common Issues and Best Practices

**High quality property condition and environmental reports help prevent credit losses**

### Key Takeaways

- Opportunities for improvement
- Selecting the best consultants
- Evaluating consultant reports
- What is expected from the consultant

## Common Report-Specific Issues

### Property Condition

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- Too often certain problematic materials, such as polybutylene piping, are identified but the potential risk is not evaluated. To complete the risk assessment, the consultant needs to understand how long the material has been on the property, the common pitfalls with the material/installation of the vintage that has been identified (many materials that have a history of problems are modified over time so that each vintage has unique characteristics), and the maintenance experience at the subject property. Then the consultant can make a recommendation and price the alternative solutions as appropriate.
- In some instances, further study may be required before a final recommendation can be made. For example, while it may be impossible for the consultant to identify the specific resolution for an observation, such as building settlement, without further investigation they can usually attempt to bracket the range of typical causes and corrective actions (which allows them to bracket the potential cost), and they must note the time required and the cost for any recommended further study/testing.
- Adequate justification must be provided for any waiver requests. For example, we have a 60 amp minimum electrical service requirement; however, certain reports have noted existing 40 amp electrical service to be adequate without providing any supporting analysis. A load analysis must be provided along with confirmation that the local building authority takes no exception (e.g., no code violation due to this issue) before such a waiver can be considered.
- Costs to complete all work in progress must be identified and the time required for completion must be estimated. Any required work must be identified with sufficient location and quantity information so that the work completion is verifiable. Freddie Mac must be able to tie the completion of such work to the loan terms.
- The reserve analysis should not be manipulated merely to produce a number that works with the underwriting analysis. The reserve analysis for non-routine capital costs should reflect the consultant's opinion regarding the remaining useful life of major building components; as such, the amount to be reserved for each component must reflect the remaining useful life of that component and not its expected useful life.
- All pending information must be provided in a timely manner.

### Environmental

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- Asbestos is still being produced and imported into this country, so the consultant should never dismiss asbestos risk based on the date of construction. Unless building specifications can be reviewed or the architect of record or contractor certifies that asbestos products were not used in the building construction, most buildings will have suspect asbestos materials. The consultant must note if any suspect materials are friable. Suspect friable materials must be tested. Freddie Mac does not allow friable materials with concentrations above 10% to remain in place. An O&M plan is required for all suspect non-friable materials and for friable materials tested to be below a 10% concentration that remain in place.
- We generally expect radon to be tested on every property. Radon concentrations are site specific and the risk cannot be adequately determined based on the EPA radon zones. The EPA specifically notes that the zone designations

should not be used as a determinate in the testing decision. While there may be limited legitimate reasons that Freddie Mac will consider for waiving radon testing, location in a particular EPA zone is not among them. All elevated radon results require further testing and, in addition, the consultant must indicate the cost of potential remediation.

- The manufacture of PCBs was banned in July 1979. However, non-PCB equipment can become cross-contaminated when serviced with oils used for PCB-contained equipment. Also, our level of concern is heightened if the suspect equipment is owned by the property. Therefore, any suspect equipment installed before July 1979 must be labeled as having no PCBs or be tested. Information regarding PCB content for utility-owned equipment must be sought. Generally, testing is not required for utility-owned equipment, however, if this equipment is confirmed to have PCBs or its content is unknown AND it is leaking, the equipment must be tested.
- A recommendation and cost estimate must be provided for any issue identified. For example, if the database search identifies a potential hazard at a nearby property, sufficient information must be sought so that a cost to cure can be identified. The consultant should discuss such situations with the client before issuing the report, as additional analysis (and consultant expense) may be required before the report is issued. In this case, the report could include a case file review and contact with the case manager to adequately understand the potential hazard.
- In certain cases, potential hazards cannot be fully evaluated without testing. For example, issues such as underground tanks with no historical test information or a dry cleaner with a documented spill, will likely require on-site testing to adequately evaluate the environmental risk before the report is issued.
- Costs to complete all work in progress must be identified and the time required for completion must be estimated. Any required work must be identified with sufficient location and quantity information so that the work completion is verifiable. Freddie Mac must be able to tie the completion of such work to the loan terms.
- All pending information must be provided in a timely manner.

## Best Practices

### Selecting the best consultants

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- Evaluate and select consultants based on qualifications and quality of work — not strictly based on price or turnaround time
  - Qualify new consultants per Guide requirements
  - Ensure consultants are qualified, including on site inspectors, and require that their resumes be included in the report appendix
  - Understand if sub-contractors are to be utilized to perform the site inspection and, if so, how quality control is maintained.
- Ensure that consultant skills are matched to deals that require specialized knowledge
  - Include resumes of personnel used to conduct on-site analysis in the report appendix
- Ensure the consultant clearly understands the scope of work
  - If a new consultant, ensure they are familiar with the Guide chapter that describes work scope
  - The consultant should state the required scope of work in the report

### Managing engagement

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- Sellers should be interactive with consultants:
  - Convey Freddie Mac's requirements and your requirements and any unique aspects of the transaction to the consultant
  - Advise consultants of Guide changes
  - Follow up with the consultant on any pending information identified in the report; this information must be submitted to Freddie Mac
  - Give feedback (positive and negative) to consultants in a timely manner

- Encourage borrowers to provide historical property information including recent repairs, planned improvements, and any past third party reports.
- Consultants should be interactive with the Seller:
  - Understand who on the Seller's team is using their reports and communicate directly with those individuals
  - Convey any unique aspects of the property
  - Convey industry trends

### Evaluating reports

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- As required by the representations and warranties, fully review reports to confirm scope and verify issue resolution before submitting to Freddie Mac
- Ensure all issues are resolved before closing deals
  - Generally, it is not appropriate to require testing or further investigation after closing as problems (and required costs) could significantly exceed expectations
- Keep track of consultant performance, aggregate results from multiple report reviewers, and share performance issues across your organization
- All property conditions should be fully described (e.g., some consultants describe only the problem areas and do not note the conditions of all major property components/systems)
  - All identified issues should have a recommendation and an associated cost; if the borrower provides cost information, the consultant must comment on its adequacy
- Consultants should not repeat information
  - An executive summary should provide summary language for observations and recommendations; information from the narrative detail section should not be repeated verbatim.
  - The conclusion/recommendation sections do not need to repeat the detail and analysis previously addressed
- Freddie Mac Forms 1103 and 1105 must be completed and certified by the consultant
- Reliance for report information must be provided to Freddie Mac as well as to the Seller per standard language as provided in the Guide.

Property name	Loan number
Reviewer's name	Date of review

This Report Review Aid is provided by Freddie Mac Multifamily only as guidance for use by our Seller/Service providers while reviewing third party reports. This guidance is for informational purposes only, and is intended to be used in conjunction with, and not as a replacement for, each Seller/Service provider's review of the applicable provisions of the Multifamily Seller/Service provider Guide as it may be updated from time to time. All provisions of the Guide with respect to such reports remain in full force and effect, unless modified.

## Ensure Property Scope

### Asbestos (ACM)

- ☐ Friable ACM is of the most concern. The consultant must conclude:
- There is no suspect ACM (can't be based on construction year); OR
  - There is only **non-friable** suspect ACM (this cannot be based on property age) and the ACM observed is not damaged and does not present a hazard to tenants, so the consultant can CHOOSE to test or recommend an
  - Observed suspect **friable** ACM or **non-friable** ACM that is damaged or represents a potential hazard to tenants and the consultant MUST be tested:
    - The exception is that suspect friable joint compound does not need to be tested
    - The testing protocol requires samples be taken from the greater of 10% of all units, including a minimum of 5 units, but not exceeding 12 units (if only suspect friable ACM is encapsulated, a more limited sampling may
    - Verified friable ACM with concentrations of 10% or more must be removed; extent of removal and cost must

### Hazardous materials

- ☐ Site issues related to spills or sub-surface conditions
- There is no evidence of spills or suspect subsurface conditions; OR
  - Testing is required and test results reveal contaminants are below action levels and below levels indicated in Guide Section 13.7(c), so no further action is required; OR
  - Testing is conducted and test results reveal contaminants exceed action levels and/or levels indicated in Guide Section 13.7(c), so remediation is required with scope of work and cost provided

### Storage tanks

- ☐ Above and below ground tanks on site
- No evidence of tanks; OR
  - Tanks observed have no reported history of past leaks, no evidence of leakage and are registered (as required by applicable authorities); underground tanks have a successful tightness test within the past 6 months; OR
  - Due to unknown past history, evidence of leaks, and/or a failed tightness test, testing is required and test results reveal contaminants are below action levels and below levels indicated in Guide Section 13.7(c), so no further
  - Testing is conducted and test results reveal contaminants exceed action levels and/or levels indicated in Guide Section 13.7(c), so remediation is required with scope of work and cost provided
  - An abbreviated O&M must be required for any tanks left in place to include tightness testing every 3 years a

### Lead-based paint (LBP)

- ☐ Flaking or chipping paint or paint dust is of most concern if lead-containing. Not an issue for properties built in in 1978
- Property was built in in 1978 or later, so a LBP investigation is not required; 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 (copy of certificate must be included)

- Property was built before 1978, so the consultant can CHOOSE to test or recommend an O&M plan; condition of suspect surfaces must be noted and any deteriorated surface must be regarded as a Priority Repair, at a
- Testing must be conducted via XRF technology or lab analysis and include:
  - 10 common area samples
  - 10% of all units, including a minimum of 5 units for properties with 100 units or less (3 samples must be taken in each living room)
  - 5% of all units, including a minimum of 10 units for properties with more than 100 units (3 samples must be taken in each living room)
  - Testing protocol as specified in Guide Section 13.9(b) for exterior, common areas and in units
- If test results reveal all concentrations are less than 0.5% by weight, or below 1.0 mg/cm<sup>2</sup> on XRF, no further action is necessary
- If test results reveal concentrations above 1.0 mg/cm<sup>2</sup>, additional investigation may be necessary, the paint must be remediated, or an O&M must be required based on the consultant's recommendation

### Drinking water quality

☐

- If water is provided by a municipal source, no further action is required; OR
- If water is provided by on site sources, acceptable test results (as determined by State standard or the Federal Safe Drinking Water Act) must be provided

### Polychlorinated Biphenyls (PCBs)

☐

- Typically in oils associated with elevator equipment, electrical transformers and capacitors, or electrical light ballasts
- The ownership of any suspect equipment must be determined. If suspect equipment is utility owned, ownership must be documented with the local utility via a documented phone call or written statement
  - For utility owned suspect equipment for which PCB content is unknown or confirmed to be in excess of 50 PPM, the consultant must recommend an OM program to manage the equipment in place
  - Any non-utility owned suspect equipment at a property constructed **prior** to July 2, 1979 must be labeled regarding PCB content or be assumed to contain PCBs; any non-utility owned equipment at properties construction on or **subsequent to** July 2, 1979 must be inspected for equipment leaks and be tested if leaks are
  - If PCB-containing equipment has PCBs in excess of 50 PPM, the consultant must make an affirmative recommendation regarding keeping or removing the equipment. Any equipment with this level of PCBs that is kept in place must be managed with an O&M program.
  - The consultant must comment regarding leakage for **any** suspect equipment. Any leakage from suspect equipment must be cleaned up with scope of work and cost provided.

### Prior Use

☐

- Documents past uses of the subject site to determine if any could be cause for contamination
- Consultant must determine prior use of the subject back to its natural state or 1940, whichever is earlier using the information sources identified in Guide Section 13.12(b)
  - The consultant must identify any prior uses that are potential sources of contamination and provide adequate justification for this use not to be considered a risk for subject; OR
  - Testing is required and test results reveal contaminants are below action levels and below levels indicated in Guide Section 13.7(c), so no further action is required; OR
  - Testing is conducted and test results reveal contaminants exceed action levels and/or levels indicated in Guide Section 13.7(c), so remediation is required with scope of work and cost provided

### Neighborhood hazardous waste

☐

- Search of databases maintained by governmental agencies regarding sites with environmental contamination
- At minimum, the databases listed in Guide Section 13.13(b) must be searched; if there are no hits in the search radius, then no further action is required; OR
  - If impacted sites are identified, then the consultant must opine if they represent a potential risk to the subject or justify why they are not a risk; OR
  - If an impacted site is identified and noted by the consultant to be a potential risk, then testing should be recommended to define the risk
  - Testing is required and test results reveal contaminants are below action levels and below levels indicated in Guide Section 13.7(c), so no further action is required; OR

- Testing is conducted and test results reveal contaminants exceed action levels and/or levels indicated in Guide Section 13.7(c), so remediation is required with scope of work and cost provided

## Mold

☐

- Consultants must inspect for visual and olfactory evidence of mold in all areas inspected and require cleanup for all non-housekeeping related mold growths
- Consultant must inquire regarding past water intrusion events, evidence of mold and any tenant complaints
- Any water source that caused any documented mold must be identified. The water source must be corrected and the mold must be remediated prior to Origination; extent of removal and cost must be provided.
- Any property with documented mold must have the following loan provisions:
  - Increased Scrutiny: special servicing requirements set forth in Guide Section 8.3(b)
  - Special Inspection Requirements: special servicing requirements set forth in Guide Section 8.3(c)
- All properties (including "clean" properties) must have a Moisture Management Plan (MMP)

## Radon

☐

- All properties are expected to be tested for radon; the EPA radon zone is NOT to be considered a justification for
- At a minimum, the greater of 10% of the ground floor units are to be tested or one test per building
- Test canisters are to be placed per Guide Section 13.15(b)(4)
- If test results are all negative (below 4.0 pCi/L), then no further action is required; OR
- If any test has an elevated result, then at a minimum, the same area must be re-tested using long term testing. The level of additional long-term testing recommended by the consultant should be commensurate with the risk identified by the short-term test results (e.g., higher test results would generally indicate that testing more units
- Any buildings with confirmed elevated radon must be remediated with scope of work and cost provided

## General requirements

☐

Reliance is provided to Freddie Mac using the standardized reliance language (see end of this guide)

☐

Report date is within 6 months prior to the date of delivery of full underwriting package; should require report update if closing is significantly delayed

☐

For properties with less than 100 units, the greater of 5 units or 10% of all units were inspected at a minimum; or for properties with 100 units or more, the greater of 10 or %5 of the units were inspected

☐

Confirmation on whether property is or is not located in a state with a superlien law in place

## Verify 1103 information

☐

Ensure recommendations in Section I match narrative

☐

Form is signed by the consultant

## Verify required support documentation

☐

Adequate photographs to describe general conditions and record all problems

☐

All test results

☐

Notification to local authorities regarding test findings for results that exceed reportable levels.

☐

Evidence of compliance with applicable regulations

☐

Resumes for the individual who conducted the on-site inspection and the individual who reviewed the report

☐

Site inspector is qualified

- Minimum of 3 years of appropriate experience if licensed; OR
- 5 years if not licensed and holding a bachelor's degree in a relevant discipline
- Firm has no conflict of interest with borrower, Seller/Service or property buyer/seller

☐

Database search results

☐

Contacts are identified

☐

O&M program(s) as required and MMP for all properties (may be separate from Phase I)

## Escrow for required repairs

☐

Escrow at a minimum of 125% of costs that are based on contractor bids for the required work

☐

Consider increased escrow requirements if costs are not verified by a contractor's bid

☐

For any significant work affecting life/safety or basic building function, require scope of work and cost confirmation with



### Key O&M plan elements

- ☐ *Notification*: plans to notify tenants and workers regarding materials of concern
- ☐ *Surveillance*: regular inspections to monitor condition of materials of concern
- ☐ *Controls*: a program to control activities that could impact materials of concern
- ☐ *Work practices*: specified procedures to avoid disturbing materials of concern
- ☐ *Recordkeeping*: document O&M activities, particularly any response to tenants
- ☐ *Worker protection*: actions to protect workers, including OSHA requirements
- ☐ *Training*: train staff to be aware of location of materials and O&M plan

### Provide report to appraiser

- ☐ Report provided

### Reliance 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.

Property name	Loan number
Reviewer's name	Date of review

This Report Review Aid is provided by Freddie Mac Multifamily only as guidance for use by our Seller/Service providers while reviewing third party reports. This guidance is for informational purposes only, and is intended to be used in conjunction with, and not as a replacement for, each Seller/Service provider's review of the applicable provisions of the Multifamily Seller/Service Guide as it may be updated from time to time. All provisions of the Guide with respect to such reports remain in full force and effect, unless modified.

## Ensure Property Scope

- ☐ Full inspection of building exteriors and grounds: each building and site component is described (e.g., material, finish, age, etc.), and its condition is noted
- ☐ Full inspection of interior common areas: each building component is described (e.g., material, finish, equipment manufacturer, capacity, age, etc.), and its condition is noted
- ☐ Inspection of 100% of commercial units and spaces: materials and finishes are described with conditions noted
- ☐ Full inspection of required residential units: each component is described (e.g., material, finish, equipment manufacturer, capacity, age, etc.), and its condition is noted
  - 10% of all units to include:
    - 50% of vacant units, and
    - 50% of down units\* (more required if conditions are not typical in units inspected)
  - \* a down unit is any unit that cannot be brought back into service with routine maintenance
- ☐ Consultant selected units for inspection
- ☐ Full inspection of all amenities: each component is described (e.g., material, finish, age, etc.) and its condition is noted
- ☐ Analysis of budget and scope for any capital improvements and renovation work that is in progress or for any planned capital improvements and renovation work; if the underwriting is affected by the successful completion of such work, repair escrows must be required

## Problematic Materials/Equipment are adequately resolved

- ☐ Fire retardant plywood identified with cost to cure
- ☐ Problem drywall identified and cost to cure provided - *must be removed prior to commitment or rate lock*
- ☐ Electrical deficiencies identified and cost to cure provided
  - Sub-60 amp service - *if consultant recommends keeping sub-60 service in place, a load calculation in accordance with NEC must be provided*
  - Edison base/T-type fuses - *overload protection must be circuit breakers or S-type (tamper proof) fuses*
  - Aluminum wiring without safe, appropriately rated code-compliant connections - *refer to carve-out and insurance recommendations and insurance recommendations below*
  - Stab-Lok breakers - *refer to carve-out and insurance recommendations and insurance recommendations below*
- ☐ Other problematic materials; conditions are analyzed based on current operations, historical operations, industry knowledge, class action lawsuits, governmental recalls, etc. with costs to cure provided OR if recommendation is to allow the problem material or equipment to remain, the consultant has provided adequate justification
  - Consider carve-out language related to future failures of the problem materials or equipment
  - Consider verification that insurance coverage is not affected by the presence of the problem material or condition
  - Consider opinion from appraiser if value is affected by problematic materials/conditions
- ☐ Further analysis is recommended; if so, cost of analysis is provided and analysis is completed prior to commitment

### Miscellaneous issues addressed

- ☐ Identified mold with remediation cost identified
- ☐ Evidence of wood-damaging insects noted with costs identified to repair any damage

### Critical Repairs are identified and resolution/repair costs provided (corrections must be completed prior to commitment) - See Section 14.3(b) of the Guide for a detailed definition

- ☐ Repairs and replacements that significantly impact habitability, value, income or marketability are identified and must be corrected before Freddie Mac will proceed with the transaction

### PR-90 Priority Repairs are identified and resolution/repair costs provided (Repair Agreement required) - See Section 14.3(b) of the Guide for a detailed definition

- ☐ Imminent life/safety hazards identified and cost to cure provided
- ☐ Ongoing substantive damage to the property identified and cost to cure provided

### Priority Repairs are identified and resolution/repair costs provided (Repair Agreement required) - See Section 14.3(b) of the Guide for a detailed definition

- ☐ Life/safety issues that are not deemed imminent are identified and cost to cure provided
- ☐ Code issues identified and cost to cure provided
  - Overall compliance addressed
  - Local official contacted regarding open violations
  - Energy related requirements are identified
  - Handicapped accessibility compliance addresses
    - ADA
    - Fair Housing
- ☐ Material deficiencies identified and cost to cure provided
  - 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 or exposure to the elements
  - Any significant mold, water intrusion or potentially damaging leaks
- ☐ Significant deferred maintenance identified and cost to cure provided: the postponement of normal maintenance, which cannot be reasonably be resolved by normal operations or Routine Maintenance, and which may result in any of the
  - Advanced physical deterioration
  - Lack of full operation or efficiency
  - Increased operating costs
  - Decline in property value

### Operational Repairs are identified and (no costs needed; Repair Letter required) - See Section 14.3(b) of the Guide for a detailed definition

- ☐ Minor deficiencies are noted
  - Work that does not warrant immediate attention but includes repairs or replacements to be completed within 12
  - Repairs and replacements that have a per item cost of more than \$3,000 each
- ☐ Minor deferred maintenance is noted: The postponement of normal maintenance that may result in minor deterioration, lack of efficiency, and/or minor increase in the operating budget and that has a cost of more than \$3,000
- ☐ Handicap Accessibility Enhancements are noted: For properties built prior to the enactment of the Fair House Act and Americans with Disabilities Act, identification of accessibility issues that are not mandated by code but subject to reasonable accommodation or readily achievable provisions of the law.

### General requirements

- ☐ Reliance is provided to Freddie Mac using the standardized reliance language (see end of this guide)
- ☐ Report date is within 6 months prior to the date of delivery of the full underwriting package

### Verify 1105 information

- ☐ Ensure project description in Section I matches narrative
- ☐ Confirm that high risk seismic factors for properties with a PGA of 0.15g or greater have been evaluated
- ☐ Verify building component condition ratings match narrative
- ☐ Check useful life analysis and identify costs that could impact refinance risk (components that are identified as expiring within or shortly after the loan term)
- ☐ Ensure Priority Repair costs match narrative
- ☐ Ensure Operational Repairs or Replacement Reserves are provided for all non-priority needs
- ☐ 3% inflation factor used for reserve analysis
- ☐ Reserve term of term of the Mortgage plus two years to a maximum of 12 years
- ☐ Form is signed by the consultant

### Verify required support for documentation

- ☐ Adequate photographs to describe general conditions and record all problems
- ☐ Site plan provided
- ☐ Resume for site inspector and report reviewer, if different from inspector
- ☐ Site inspector is qualified
  - Degree in architecture and/or related engineering field from an accredited institution
  - Minimum 5 years of appropriate experience (3 years with multifamily properties; 2 years with financial institutions)
  - Firm has no conflict of interest with borrower, Seller/Service or property buyer/Seller
  - Equivalent Experience and Expertise Certificate provided for unqualified individuals
- ☐ Budget and scope for any planned capital improvements are reviewed and compared to recommended repairs
- ☐ Contacts are identified

### Escrow for required repairs

- ☐ Require an escrow if the total repair cost is 0.25% of the loan or \$25K, which is greater
- ☐ Escrowed costs are based on contractor bids for all Priority Repair work
- ☐ For any significant work affecting life safety or basic building function, *require* scope of work and cost be confirmed with independent contractor bid
- ☐ Consider increased escrow requirements if significant costs are not verified by a contractor bid
- ☐ Escrow at 100% to 125% (or more as needed) of costs that are based on contractor bids for the required work
- ☐ Ensure repair scope and location is specific
- ☐ Conform to standard repair timelines: 90 days for all PR-90 repairs; 180 days for most other Priority Repairs; 365 days for truly extensive work or work that can only be completed at unit turnover

### Provide report to appraiser

- ☐ Report provided

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- (b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- (c) governmental agencies having regulatory authority over Lender;
- (d) designated persons pursuant to an order or legal process of any court or governmental agency;
- (e) prospective purchasers of the Mortgage; and
- (f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
  - 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.