Chapter 18
Originating a Small Balance Loan

18.1 Overview
This chapter describes the requirements and procedures that the Seller must follow to originate a Mortgage under the Small Balance Loan Purchase Product.

a. Description of the Small Balance Loan Purchase Product
Under the Multifamily Small Balance Loan (SBL) Purchase Product, Freddie Mac will purchase Small Balance Loan Mortgages from approved SBL Seller/Servicers. This Chapter describes the unique requirements for the SBL Purchase Product.

Small Balance Loans (SBLs) are defined as loans on Multifamily Properties with principal balances of between $1 million and $5 million originated under the SBL Product. Loans of this size may also be purchased by Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program, which is described in Chapter 17.

Freddie Mac intends to securitize all Mortgages purchased under the SBL Product. During the period prior to Securitization, the Seller must agree to repurchase any SBL Mortgage that defaults for any reason during the initial 12 months after origination and, thereafter, to a pool-level loss sharing arrangement applicable for the period prior to Securitization during which Freddie Mac is the owner of the applicable SBL Mortgage. See Chapter 46 for loss sharing and repurchase provisions.

b. Investment quality
Each Mortgage to be delivered to Freddie Mac under the SBL Product must have characteristics that demonstrate investment quality (see Section 10.7).

c. Types of Mortgages
Freddie Mac may purchase any or all of the following types of SBL Mortgages:
• Fixed-rate Mortgages in which the interest rate is unchanged for the entire Mortgage term. Fixed-rate Mortgages may be amortizing or interest only. (See Section 18.4)
• Fixed to floating-rate “Hybrid ARM” Mortgages in which the interest rate is fixed for an initial set term and is then adjusted periodically until the end of the term of the Mortgage. (See Section 18.5)
• Other types of Mortgages as announced by Freddie Mac from time to time.

d. Securitization of Mortgages (11/07/14)
Freddie Mac intends to securitize the SBL Mortgages by selling them in the capital markets as part of an SBL Securitization, as described in Chapter 46. At the time of a Securitization of a Mortgage, Freddie Mac will cease to own the applicable Mortgage and Servicing of the applicable Mortgage will be terminated upon such Securitization and transferred to a master servicer without compensation to the Freddie Mac
Servicer. The Freddie Mac Servicer must cooperate with all transfer of Servicing and SBL Securitization provisions as outlined in Chapter 46.

e. Delivery options
Freddie Mac offers both a standard delivery option (see Section 18.6 and Sections 18.8 through 18.14) and an early rate-lock delivery option (see Section 18.7 and Sections 18.15 through 18.27).

f. Final delivery requirements
Chapter 32 contains the requirements for final delivery of SBL Mortgages to Freddie Mac and applies to each SBL Mortgage.

g. Other requirements
SBL Mortgages submitted for purchase under the SBL Purchase Product must comply with the requirements of all other applicable chapters of the Guide including the requirements of Chapter 15A and Chapter 46, which apply specifically to SBL Mortgages.

Freddie Mac reserves the right to apply additional or more stringent requirements to any transaction.

18.2 Underwriting package requirements (10/01/14)
Freddie Mac lists the documents that Sellers must include in the underwriting package for SBL loans in the Small Balance Loan Underwriting Checklist, Section 1.2 of Exhibit 1. The checklist identifies items to be delivered as part of the preliminary and full underwriting packages.

Instructions for preparing and delivering the underwriting packages and remitting any required fees to Freddie Mac are found in Chapter 55, Documentation and Deliveries. Chapter 55 also contains a complete description of Freddie Mac’s requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

See the following for information regarding when to deliver the content of underwriting packages:
- Section 18.9, Standard delivery – preliminary underwriting package and Quote
- Section 18.10, Standard delivery – full underwriting package
- Section 18.15, Early rate-lock delivery option – preliminary underwriting package
- Section 18.19, Early rate-lock delivery option – full underwriting package

18.3 Review period (10/01/14)
The Seller should plan for a reasonable period for Freddie Mac to process and review the underwriting package before receipt of the Quote, the early rate-lock application or the Letter of Commitment, as appropriate.
18.4 Fixed-rate Mortgage requirements (10/01/14)
A fixed-rate SBL Mortgage must meet the requirements listed in this section. A fixed-rate Mortgage may be amortizing or may have an interest-only feature. For interest-only Mortgages, all other requirements of an amortizing Mortgage will apply unless specifically noted in this section.

a. Document delivery
The SBL Underwriting Checklist in Section 1.2 of Exhibit 1, the Final Delivery Tables of Contents and the Final Delivery Instructions, both found on FreddieMac.com, set forth all documents required to be delivered to Freddie Mac under this product. The Seller must make timely deliveries in accordance with the requirements of this chapter and Chapter 32.

b. Eligible Mortgages
Mortgages for the purpose of the refinancing or acquisition of the Property are eligible for purchase.

c. Term
The fixed rate term of the Mortgage may 5, 7, or 10 years.

d. Amortization
For amortizing Mortgages, the standard amortization period is 30 years. Any interest-only period will be followed by an amortization period of no more than 30 years.

The minimum amortization period for amortizing Mortgages is 15 years.

Notwithstanding the above, Freddie Mac, in its discretion, will determine the amortization period of the Mortgage.

e. Interest only
Partial-term and full-term interest-only debt service payments are available.

f. Prepayment provisions
Prepayment provisions applicable to fixed-rate SBL Mortgages are detailed in Exhibit 13, SBL Prepayment Provisions.

g. Reserved
h. Reserved
i. Reserved

j. Sales or transfers of Property or beneficial interests in the Borrower
The Guide will permit Transfer of Ownership to a qualified purchaser on terms approved by Freddie Mac, in accordance with the terms of the Mortgage and the Guide.

k. Reserved
l. **Borrower recourse/third-party guaranties**
Freddie Mac typically will not require Borrower recourse, except upon the occurrence of certain events specified in the Loan Documents executed by the Borrower. However, Freddie Mac, in its discretion, may require additional Borrower recourse.

See Section 10.2(b) in the event Freddie Mac requires one or more of the Borrower Principals, in the Borrower Principal’s individual capacity, to guaranty the payment of all or a portion of the amounts due under the SBL Mortgage.

m. **Servicing Spread**
The Servicing Spread will be as indicated in the ERLA or Commitment for each SBL Mortgage.

n. **Reserves**
The Seller must establish Reserves pursuant to the requirements of Sections 39.2 and 39.3 with the following exceptions specific to SBL Mortgages:
- Reserves for real estate taxes may be deferred provided original LTV is 65% or less and subject to proof that all taxes have been paid during the applicable time period and are not then delinquent.
- Reserves for Insurance may be deferred subject to proof in writing to Freddie Mac that all insurance premiums have been paid and are not then delinquent.
- Replacement Reserves may be deferred provided the “Overall Property Condition Rating/Capital Needs Over the Loan Term” rating, as indicated on the Form 1104, Small Balance Loan Physical Risk Report, is “Average” or better.
- Reserves for Priority Repairs may be deferred if the total Priority Repair amount is less than 5% of the original principal balance – otherwise the Reserve is required to be funded at 100%.

o. **Co-op requirements**
Freddie Mac will not purchase SBL Mortgages secured by properties owned by cooperative housing corporations.

p. **Financing of origination fees**
It is Freddie Mac's policy not to purchase Mortgages that finance payment of loan origination fees or comparable fees to the Seller in excess of reasonable amounts. The proceeds of the Mortgage may be used to pay loan origination fees or comparable fees to the Seller only to the extent that such fees are reasonable and in accordance with general industry standards.

q. **Late charges and default interest**
Requirements regarding late charges and default interest are set forth in the Loan Documents. The Seller/Servicer may not change any provisions regarding late charges without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.
18.5 Hybrid ARM requirements
A Hybrid ARM SBL Mortgage must meet the requirements of Section 18.4, as modified by this section.

a. Interest rate calculation (11/07/14)
Hybrid ARM SBL Mortgages will have initial fixed rate periods of 5, 7, or 10 years followed by an adjustable rate period through the 20th year of the Mortgage. During the adjustable rate period, the interest rate and amortization period may be adjusted every six months based on the index and margin specified in the SBL Note. The adjustable interest rate will never be less than the initial fixed rate, will not increase or decrease more than 1% at any one adjustment period, and will be capped at the initial fixed interest rate plus 5%, unless otherwise specified in the SBL Note. Amortization will be based on an actual/360 interest schedule. Partial interest only payment terms are available during the fixed rate period of the Mortgage.

b. Term
The term of the Hybrid ARM will be 20 years with an initial fixed-rate period of 5, 7, or 10 years, followed by an adjustable rate period through the end of the term of the Mortgage.

c. Reserved

d. Prepayment provisions
Prepayment provisions applicable to SBL Hybrid ARM Mortgages are detailed in Exhibit 13, SBL Prepayment Provisions.

18.6 Standard delivery (10/01/14)
The Mortgage terms, conditions and interest rate are fixed after receipt and approval of the full underwriting package. For detailed information about standard delivery, see Sections 18.8 through 18.14.

18.7 Early rate-lock delivery option (10/01/14)
The Mortgage terms, conditions and interest rate are fixed after Freddie Mac's preliminary underwriting, but prior to receipt and approval of the full underwriting package. For detailed information about the early rate-lock delivery option, see Sections 18.15 through 18.27.

18.8 Standard delivery—Overview (10/01/14)
Freddie Mac will regularly publish a Pricing Grid indicating coupon rates applicable to SBL Fixed-rate and Hybrid ARM Mortgages.

Provided the Mortgage presented in the full underwriting package meets the requirements of the SBL Purchase Product and has been approved by the Small Balance Loan Team, as evidenced by issuance from Freddie Mac of the Letter of Commitment, Sellers may rate lock the Mortgage with Freddie Mac at the applicable published Coupon Rate taking into account the terms of the Mortgage approved.
18.9  **Standard delivery—preliminary underwriting package and Quote (10/01/14)**

To begin the standard delivery process and to receive a preliminary Quote, Sellers must submit to Freddie Mac, via Freddie Mac’s Document Management System (DMS), all documents specified in the preliminary underwriting portion of the SBL Underwriting Checklist, Section 1.2 of Exhibit 1.

If the Mortgage presented in the preliminary underwriting package appears to meet the requirements of the SBL Mortgage Purchase Product, Freddie Mac will, at its option, issue a verbal or written Quote.

a. **Verbal or Written Quote**

Freddie Mac will advise the Seller orally or in writing that it is interested in receiving a full underwriting package and will inform the Seller of Freddie Mac’s calculations regarding Net Operating Income and expectation of value based on the information contained in the preliminary underwriting package.

Using the applicable Pricing Grid and the information quoted by Freddie Mac, Seller can determine the remaining indicative terms of the Mortgage including the loan amount.

b. **Obligations of the parties**

Issuance of a Quote will not obligate the Seller to submit a full underwriting package or obligate Freddie Mac to purchase the proposed Mortgage.

c. **Seller’s option to request an early rate-lock application**

After Freddie Mac has issued the Seller a Quote, the Seller may elect to request an early rate-lock application.

The Seller’s election to request an early rate application must be submitted to Freddie Mac in writing, via DMS, and will obligate the Seller to proceed with the early rate-lock delivery requirements outlined in Sections 18.15 through 18.27. Upon Freddie Mac’s receipt of the Seller’s written request for an early rate-lock application, a nonrefundable application fee will be deemed earned by Freddie Mac as outlined in Section 18.15(b) and must be remitted to Freddie Mac as outlined in 18.15(c).

The option for Seller to request an early rate-lock application will remain available to the Seller as long as Freddie Mac has not received or, if received, has not completed its review of the full underwriting package, and has not issued a Letter of Commitment as described in Section 18.11 below.

If the Seller opts not to request an early rate-lock application, the Seller may proceed with delivery of the full underwriting package and the remaining requirements for the standard delivery process as outlined in Sections 18.10 through 18.14.
Upon a Modification Event under the early rate-lock application, Freddie Mac may in its sole and absolute discretion determine a Reduced Mortgage Amount down to a minimum of $1,000,000 for which Freddie Mac is not charging a breakage fee to Borrower under the early rate-lock application. If the difference between the Reduced Mortgage Amount and the Rate Locked Mortgage Amount is 15% or more and such difference occurs 3 or more times over any 6 month period, such Seller/Servicer will be suspended from rate-locking a SBL Mortgage under the early rate-lock delivery option and may only rate-lock a SBL Mortgage under the standard delivery option.

18.10 Standard delivery—full underwriting package (09/01/15)

After Freddie Mac issues a Quote, the Seller may deliver a full underwriting package to Freddie Mac.

Upon delivery of the full underwriting package, a nonrefundable application fee will be deemed earned by Freddie Mac. Unless otherwise set forth in writing by Freddie Mac, Freddie Mac will not charge an application fee for Properties located in Top Markets as indicated in the document titled “Market Tiering (SBL)” published on Freddie Mac.com. Freddie Mac will charge an application fee equal to 10 bps of the Loan Amount in all other markets.

If Freddie Mac approves the proposed Mortgage, Freddie Mac will issue a Letter of Commitment as described in Section 18.11.

18.11 Standard delivery—Letter of Commitment

The Letter of Commitment represents Freddie Mac's offer to purchase a Mortgage secured by an eligible Property as determined by Freddie Mac. A Letter of Commitment provides the purchase conditions applicable under a mandatory Purchase Contract.

a. Issuance of Letter of Commitment (10/01/14)

After the Seller submits a full underwriting package meeting the requirements of Section 18.2, Freddie Mac will determine if the Mortgage is acceptable for purchase.

If the contemplated Mortgage is acceptable, Freddie Mac will issue a Letter of Commitment stating the maximum Mortgage amount, the maximum annual debt service (principal and interest or interest only), loan term and amortization period (if applicable), and all additional conditions that must be satisfied before Freddie Mac purchases the Mortgage.

The Letter of Commitment is valid for the period of time stated in the Letter of Commitment. If the Seller fails to accept the Letter of Commitment offer within that stated time period, the Letter of Commitment will automatically expire, and Freddie Mac will not be obligated to purchase the Mortgage under any conditions. The Letter of Commitment will automatically incorporate by reference the terms set forth in Chapter 27, as applicable.
b. **Seller acceptance (10/01/14)**
The Seller may accept the Letter of Commitment by following the procedures set forth in the Letter of Commitment.

After the Seller executes the Letter of Commitment, the Seller may not transfer, assign or otherwise modify the letter without Freddie Mac's prior written approval.

c. **Locking the Coupon Rate and fixing Mortgage amount and terms (12/04/15)**
Provided the Seller has accepted the Letter of Commitment, per Section 18.11(b), the Seller may lock the Coupon Rate stated in the Letter of Commitment and fix the actual Mortgage amount and terms by submitting the executed Letter of Commitment to Freddie Mac, via DMS, no later than 3:30 p.m. Washington DC time on the date that is 10 Business Days after the Effective Date of the Commitment (as specified in the Seller Only Provisions of the Commitment). If either the Seller or Freddie Mac does not have access to Multifamily DMS for a period of time, and as a result, Freddie Mac is unable to lock the Coupon Rate before the Coupon Rate Expiration Date, Freddie Mac will not be liable for any damages whether direct or consequential.

d. **Contract Number and Mandatory Delivery Date (12/04/15)**
Freddie Mac will provide the Seller with the contract number of the Purchase Contract (Contract Number) and the Mandatory Delivery Date of the Mortgage via email following its receipt of the countersigned Commitment in accordance with Section 18.11(c) (Contract Number Confirmation Email). When it is issued, the Contract Number Confirmation Email is incorporated into and becomes a part of the Commitment. Seller must upload the Contract Number Confirmation Email to DMS on the date of its receipt of the Contract Number Confirmation Email as part of the Commitment file.

18.12 **Standard delivery—final delivery (12/04/15)**
On or before noon Eastern time on the Mandatory Delivery Date, the Seller must deliver to Freddie Mac all of the documents listed in the applicable Final Delivery Table of Contents, found on FreddieMac.com. The Seller must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the Final Delivery Instructions, also found on FreddieMac.com.

18.13 **Standard delivery—funding (10/01/14)**
After final delivery of a Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Section 32.1(c) for provisions relating to funding.

18.14 **Standard delivery – late delivery; non-delivery**
a. **Late delivery (10/01/14)**
For Mortgages delivered under the standard delivery option, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of a Mortgage:
- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying
**Multifamily Purchase** of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.

- The Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents.

**b. Remedies for late delivery (10/01/14)**

If Freddie Mac determines that there has been a late delivery of a Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including:

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Charging the Seller a late delivery extension fee
- Taking any other action set forth in Chapter 4

**c. Nondelivery (12/04/15)**

For Mortgages delivered under the standard delivery option, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of a Mortgage:

- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying Multifamily Purchase of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.
- The Mortgage, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents
- After issuance of the Letter of Commitment, there has been a material adverse change from what was disclosed to Freddie Mac in the full underwriting package in any feature of the Mortgage, including a material adverse change in any of the following:
  - The financial position of the Borrower, any Borrower Principal or the guarantor
  - The condition of the Property
  - The rental income generated by the Property
  - The Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents

**d. Remedies for nondelivery (10/01/14)**

If Freddie Mac determines that there has been a nondelivery of a Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including:

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage.)
- Taking any other action set forth in Chapter 4
• Charging the Seller a breakage fee

e. **Calculation of the breakage fee (12/04/15)**
As liquidated damages for the nondelivery of a Mortgage, Freddie Mac will charge the Seller a breakage fee equal to two percent of the proposed Mortgage amount as more fully set forth in the Letter of Commitment. Freddie Mac’s collection of the breakage fee will not prevent it from exercising any other remedies set forth in the Guide.

18.15 **Early rate-lock delivery option—preliminary underwriting package**
Freddie Mac will regularly publish a Pricing Grid indicating coupon rates applicable to SBL Fixed-rate and Hybrid ARM Mortgages.

Provided the Mortgage presented in the preliminary underwriting package meets the requirements of the SBL Purchase Product and has been approved by the Small Balance Loan Team, as evidenced by issuance from Freddie Mac of the SBL early rate-lock application, Sellers may rate lock the Mortgage with Freddie Mac at the applicable published Coupon Rate taking into account the terms of the Mortgage approved.

a. **Delivery of the preliminary underwriting package (10/01/14)**
Sellers must submit all documents specified in the preliminary underwriting section of the Small Balance Underwriting Checklist, Section 1.2 of Exhibit 1, to Freddie Mac, via DMS.

b. **Application fee (09/01/15)**
Upon delivery of the preliminary underwriting package to Freddie Mac, or upon Seller request for an early rate-lock application pursuant to Section 18.9(c), a nonrefundable application fee will be deemed earned by Freddie Mac. Unless otherwise set forth in writing by Freddie Mac, Freddie Mac will not charge an application fee for Properties located in Top Markets as indicated in the document titled “Market Tiering (SBL)” published on Freddie Mac.com. Freddie Mac will charge an application fee equal to 10 bps of the Loan Amount in all other markets.

c. **Remitting the Application fee (10/01/14)**
The Seller must remit the application fee by wire transfer by 2:00 p.m. Eastern time on the Business day following the Preliminary Underwriting Package submission to Freddie Mac.

18.16 **Early rate-lock delivery option—good faith deposit**

a. **Good faith deposit (10/01/14)**
For an early rate-lock application, the Seller must collect a good faith deposit in an amount equal to one percent of the proposed Mortgage amount. The good faith deposit will be held by Seller in trust for Freddie Mac as security for a portion of the Seller’s obligations under the early rate-lock application and the Guide. The good faith deposit must be held in a Custodial Account designated as follows:
1. “(Name of Depositor/Servicer), as custodian and/or bailee for Freddie Mac and/or various owners of interests in Mortgages and/or mortgage-related securities and/or various mortgagors”, or

2. The abbreviated designation “Freddie Mac GFD Custodial Account"

However, if the Servicer uses the abbreviated designation, then for all purposes of the Purchase and Servicing Documents and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages and/or Mortgage-related securities and/or mortgagors, the abbreviated account designation will be deemed to be the same as the unabbreviated account designation and will be deemed to confer upon Freddie Mac and those persons the same rights and interests with respect to the good faith deposit Custodial Account and the funds deposited or held in the account.

b. Release of the good faith deposit (11/07/14)
Seller may release the good faith deposit and return it to Borrower after Borrower has consummated the loan transaction in accordance with the Seller’s application and any commitment that results from the Seller’s application.

c. Reserved

d. Reserved

18.17 Early rate-lock delivery option—early rate-lock application (10/01/14)

a. Proceeding with the early rate-lock application
If the Mortgage presented in the preliminary underwriting package appears to meet the requirements of the SBL Purchase Product, the Small Balance Loan Team will inform the Seller that the Seller may proceed with Freddie Mac's early rate-lock application option.

b. Preparing the early rate-lock application
Freddie Mac will provide the early rate-lock application form to the Seller. The application form, as provided by Freddie, will establish the Mortgage amount, loan term, amortization period (if applicable), Coupon Rate based upon the rate published in the most current Pricing Grid, and any nonstandard provisions pertaining to a specific transaction. The early rate-lock application will incorporate by reference the provisions set forth in Section 27.3.

18.18 Early rate-lock delivery option—interest rate-lock

a. Executing the SBL early-rate lock application (12/04/15)
Following issuance of the early rate-lock application, the Seller may lock the Coupon Rate stated in the early rate-lock application and fix the actual Mortgage amount and terms by submitting the executed early rate-lock application, with all provisions completed, to Freddie Mac, via DMS, no later than 3:30 p.m. Washington DC time on the Expiration Date set forth in the Seller Only Provisions of the early rate-lock application. At such time, the Seller will notify the Small Balance Loan Team that an
executed copy of the rate-lock application has been submitted. If either the Seller or Freddie Mac does not have access to Multifamily DMS and as a result, Freddie Mac is unable to lock the Coupon Rate before the Expiration Date, Freddie Mac will not be liable for any damages whether direct or consequential.

b. **Contract Number and Mandatory Delivery Date (12/04/15)**
   Freddie Mac will provide the Seller with the contract number of the Purchase Contract (Contract Number) and the Mandatory Delivery date of the SBL Mortgage via email following its receipt of the countersigned early rate-lock application in accordance with 18.18(a). (Contract Number Confirmation Email). When it is issued, the Contract Number Confirmation Email is incorporated into and becomes a part of the Commitment. Seller must upload the Contract Number Confirmation Email to DMS on the date of its receipt of the Contract Number Confirmation Email as part of the Commitment file.

c. Reserved
d. Reserved
e. Reserved
f. Reserved

18.19 Early rate-lock delivery option—full underwriting package and increase in SBL Mortgage Amount

a. **Delivery of full underwriting package (12/04/15)**
   The Seller must deliver the documents specified in the “Full Underwriting” section of the Small Balance Loan Underwriting Checklist, Section 1.2 of Exhibit 1, to Freddie Mac via DMS not later than:
   - 74 days after the Expiration Date specified in the Seller Only Provisions of the early rate-lock application for a 120 Day Early Rate Lock.
   - 60 days after the Expiration Date specified in the Seller Only Provisions of the early rate-lock application for a 90 Day Early Rate Lock.
   - 45 days after the Expiration Date specified in the Seller Only Provisions of the early rate-lock application for a 75 Day Early Rate Lock.
   - 30 days after the Expiration Date specified in the Seller Only Provisions of the early rate-lock application for a 60 Day Early Rate Lock.

   The full underwriting package must include any document included in the preliminary underwriting package for which there is a material change.

b. **Increase in SBL Mortgage amount (12/04/15)**
   1. The Mortgage amount is determined based on the preliminary underwriting provided to Freddie Mac prior to locking the Coupon Rate, including the expected minimum appraised value of the Property, current and projected occupancy and rents, minimum DCR, maximum LTV and Borrower requested modifications to the loan documents, if any.
2. After Freddie Mac receives and reviews the full underwriting package, Seller may request that Freddie Mac increase the Mortgage amount with no change to the Coupon Rate if the full underwriting package demonstrates that based on an increase in EGI and other factors (excluding a higher than expected appraised value) the Property can support an increased Mortgage amount and meet the minimum DCR and maximum LTV requirements (Increased SBL Mortgage Request). The Increased SBL Mortgage Request must be the greater of $100,000 or 1% of the Mortgage amount. The final Mortgage amount may never be more than $5,000,000.

3. Freddie Mac will, in its sole and absolute discretion, determine if the Increased SBL Mortgage Request is supported by the full underwriting package and will determine the amount of the increased Mortgage amount (Increased SBL Mortgage Amount). If Freddie Mac determines an Increased SBL Mortgage Amount is justified, it will grant the Increased SBL Mortgage Request and adjust the terms impacted by the change in the Mortgage amount and other affected amounts (e.g., annual debt service amount and monthly payment) in an adjustment letter (see Section 18.21(b)). All references to the Mortgage amount in the early rate-lock application will automatically be deemed to refer to the Increased SBL Mortgage Amount. Freddie Mac’s approval of an Increased SBL Mortgage Request will not be considered a material modification of the early rate-lock application.

18.20 Early rate-lock delivery option—failure to deliver items after rate-lock (10/01/14)
If, after rate-locking the Mortgage, the Seller fails to deliver the complete full underwriting package within the time specified in this chapter or in the early rate-lock application, Freddie Mac will be entitled to consider this as a nondelivery and take any of the actions set forth in Section 18.25(d).

18.21 Early rate-lock delivery option—acceptance or rejection of early rate-lock application
Freddie Mac intends to complete its review of the full underwriting package within 12 days of its receipt of the full underwriting package (including all third-party reports), but reserves the right to take such additional time as is reasonably necessary to complete its review.

a. Acceptance without modification (12/04/15)
Freddie Mac will indicate its acceptance of the early rate-lock application by countersigning the early rate-lock application and delivering it to the Seller.

b. Acceptance with a nonmaterial modification (10/01/14)
If Freddie Mac determines to accept the early rate-lock application with a nonmaterial modification, Freddie Mac will set forth any adjustments to the terms of the early rate-lock application in an adjustment letter to the Seller along with the fully executed early rate-lock application. The Seller agrees to be bound by any nonmaterial modifications to the early rate-lock application set forth in an adjustment letter.
c. **Acceptance with material modification (10/01/14)**

If Freddie Mac determines to modify materially the terms of the early rate-lock application, Freddie Mac will send the signed early rate-lock application, as well as a modification letter setting forth the proposed modification(s), to the Seller. If the Seller does not execute and return the modification letter within the time specified by Freddie Mac, the early rate-lock application will be deemed to be rejected by Freddie Mac. For the purposes of the early rate-lock delivery option and the early rate-lock application, a "material modification" of the terms of the early rate-lock application means a change that a reasonable borrower or lender would deem to be material to the transaction as a whole.

d. **Reserved (12/04/15)**

e. **Rejection and return of the good faith deposit (10/01/14)**

If Freddie Mac rejects the early rate-lock application for any of the following reasons, Freddie Mac will notify the Seller of such rejection and no breakage fee will be due to Freddie Mac. The Seller may return any good faith deposit it has collected to the Borrower, less the nonrefundable application fee, if any:

1. There has been a material adverse change in the rental income, operation of the Property or physical condition of the Property due to fire or other casualty.

2. Freddie Mac requires a material modification to the early rate-lock application, and such material modification is not acceptable to the Borrower.

3. The Appraisal or Physical Risk Report discloses conditions at the Property that are unacceptable to Freddie Mac but were not known by the Seller or the Borrower prior to the interest rate-lock.

4. Freddie Mac rejects the early rate-lock application for a reason other than those set forth in Section 18.21(f).

f. **Rejection and payment of the breakage fee (10/01/14)**

If Freddie Mac rejects the early rate-lock application for any of the following reasons, Freddie Mac, at its option, will collect the Seller breakage fee described in Sections 18.25(e) through 18.25(g) and collect from the Seller the nonrefundable application fee, if any, and/or exercise its other remedies under Chapter 4.

1. Any representation, warranty, statement, certificate or other information made or furnished to Freddie Mac in connection with the proposed Mortgage is false or misleading in any material respect as of the date made.

2. There has been a material adverse change in the financial condition or credit of the Borrower, any Borrower Principal or any guarantor from that which was disclosed in writing to Freddie Mac.
3. There has been a material adverse change in the rental income, operation of the Property, physical condition (other than damage resulting from fire or other casualty) of the Property or title to the Property from that which was disclosed in writing to Freddie Mac.

4. The Appraisal or Physical Risk Report discloses conditions at the Property that were known by the Seller or the Borrower, were not disclosed in writing to Freddie Mac prior to the interest rate-lock date and that are unacceptable to Freddie Mac.

5. There has been a material change in the ownership of the Borrower, any Borrower Principal or the guarantor from that which was disclosed to Freddie Mac.

18.22 Early rate-lock delivery option—Purchase Contract (10/01/14)
The early rate-lock application, as modified by the modification letter or adjustment letter, will become Freddie Mac's commitment to purchase the Mortgage upon Freddie Mac's execution of the early rate-lock application without material modification or, if there is a material modification, upon the Seller's execution of any modification letter required by Freddie Mac.

When Freddie Mac signs the early rate-lock application, Freddie Mac will be deemed to have entered into a Purchase Contract with the Seller, which obligates the Seller to deliver the Mortgage to Freddie Mac in accordance with the Guide and the terms and conditions set forth in the early rate-lock application, as modified by any modification letter or adjustment letter.

18.23 Reserved (10/01/14)

18.24 Early rate-lock delivery option—final delivery (12/04/15)
At or before noon Eastern time on the Mandatory Delivery Date, the Seller must deliver to Freddie Mac the Final Delivery Package as described in Chapter 32. See also the SBL Final Delivery Tables of Contents and the SBL Final Delivery Instructions found on FreddieMac.com.

After final delivery of the SBL Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Section 32.1(c) for provisions relating to funding.

18.25 Early rate-lock delivery option—late delivery; nondelivery
a. Late delivery (10/01/14)
For Mortgages delivered or to be delivered under the early rate-lock delivery option, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of a Mortgage:
1. The Seller fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying Multifamily Purchase of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date, or

2. The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

b. Remedies for late delivery (10/01/14)
If Freddie Mac determines that there has been a late delivery of a Mortgage under the early rate-lock delivery option, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage.)
- Charging the Seller a late delivery extension fee
- Taking any other action set forth in Chapter 4

c. Nondelivery (12/04/15)
For Mortgages delivered or to be delivered under the early rate-lock delivery option, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of a Mortgage:

1. The Seller fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying Multifamily Purchase of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date

2. The Mortgage, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

3. After acceptance of the early rate-lock application, there has been a material adverse change from what was disclosed to Freddie Mac in the full underwriting package in any of the following:
   - The financial position of the Borrower, any Borrower Principal or the guarantor
   - The condition of the Property
   - The rental income of the Property

4. The Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents.

d. Remedies for nondelivery (10/01/14)
If Freddie Mac determines that there has been a nondelivery of a Mortgage under the early rate-lock delivery option, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including
• Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage.)

• Taking any other action set forth in Chapter 4

• Charging the Seller the Seller breakage fee

e. Calculation of the Seller breakage fee (10/01/14)
As liquidated damages for the nondelivery of a Mortgage pursuant to Section 18.25(b) or upon rejection of a Mortgage pursuant to Section 18.21(f), Freddie Mac will charge the Seller the Seller breakage fee equal to two percent of the proposed Mortgage amount as more fully set forth in the Letter of Commitment or early rate-lock application.

f. Payment of the Seller breakage fee (12/04/15)
Except as set forth in Section 18.25(g), in payment of the Seller breakage fee, Seller must pay Freddie Mac on demand a breakage fee equal to two percent of the Mortgage amount.

A Seller must immediately pay the good faith deposit amount actually collected by Seller (minimum of one percent of the Mortgage amount) to Freddie Mac. In payment of the balance of the Seller breakage fee, Freddie Mac will accept an assignment by the Seller of the Borrower's obligation to pay the Borrower Breakage Fee (as defined in the early rate-lock application) to the Seller.

Upon Freddie Mac’s notice to Seller requiring a Seller breakage fee, Freddie Mac and Seller agree that:

• Seller will immediately assign to Freddie Mac all of its right, title and interest to payment of the Borrower Breakage Fee.

• Seller will cooperate with Freddie Mac in all aspects of Freddie Mac’s collection of the Borrower Breakage Fee from the Borrower.

• As consideration of the assignment by Seller and Seller’s agreement to cooperate with Freddie Mac, Freddie Mac agrees that such assignment will discharge the Seller’s obligation to pay any of the remaining outstanding amount of the Seller breakage fee. However, if the Borrower successfully asserts any claim or defense to the obligation to pay the Borrower Breakage Fee assigned by the Seller that arises out of transactions or relationships between the Borrower and the Seller, including, but not limited to, claims or defenses for fraud or set-off, then, notwithstanding the discharge described above, the Seller will owe Freddie Mac any resulting reduction in, or set off against, any amounts payable by the Borrower.
If the Seller’s application to the Borrower does not contain the correct amount for the Borrower Breakage Fee and as a result Freddie Mac is unable to collect the full amount of the Borrower Breakage Fee, Seller will owe Freddie Mac any resulting difference.

g. Exceptions to assignment of the Borrower Breakage Fee (12/04/15)
The provisions set forth above in Section 18.25(f) regarding the assignment of the Borrower Breakage Fee to Freddie Mac in satisfaction of the Seller’s obligation to pay the Seller breakage fee will not be applicable under the following conditions:

1. The Borrower has paid the Seller the good faith deposit, but the Seller has not delivered an executed early rate-lock application, collected the good faith deposit or delivered an executed Exhibit A to Freddie Mac.

2. The Borrower has provided the Seller with the information to deliver a complete and correct full underwriting package, but the Seller has not delivered the complete full underwriting package to Freddie Mac.

3. The Borrower has consummated the loan transaction in accordance with the Seller’s application and any commitment that results from the Seller’s application, but the Seller has not delivered the Final Delivery Package to Freddie Mac by the Mandatory Delivery Date specified in Exhibit A to the early rate-lock application.

4. The Borrower has consummated the loan transaction in accordance with the Seller’s application and any commitment that resulted from the Seller’s application, but the Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents.

5. The Seller delivers the SBL Mortgage to Freddie Mac in a form that does not satisfy Freddie Mac’s requirements and such failure is not the result of Borrower’s failure to make any corrections to the Mortgage requested in order to conform to the terms of the early rate-lock application.

If any of the conditions set forth above occur, Freddie Mac will collect the Seller breakage fee directly from the Seller and will not credit the good faith deposit towards the payment of the Seller breakage fee. In addition, upon demand, the Seller must pay the application fee, if any, to Freddie Mac.

18.26 Reserved (10/01/14)

18.27 Early rate-lock delivery option—accuracy of information (10/01/14)
Freddie Mac is relying upon the truth and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller in connection with the early rate-lock application and the Mortgage regardless of whether any of such documents were prepared by the Seller or whether the Seller knew or had reason to know the accuracy of their contents.
18.28 **Small Balance Loan Purchase Product Loan Documents (12/04/15)**

The loan execution documents for the Small Balance Loan Purchase Product can be found on FreddieMac.com.

18.29 **Maryland or Florida – Originating SBL Mortgages by Assignment, Amendment and Restatement (12/04/15)**

a. If the property is located in Maryland or Florida, the Seller, at its option, may originate the Mortgage by purchasing an existing mortgage from the current holder of that mortgage (including Freddie Mac in connection with a refinance of an existing Freddie Mac-held mortgage) (Existing Mortgage), and then modifying, extending, renewing, amending and/or consolidating the Existing Mortgage (Modifying the Existing Mortgage); provided, however, that Seller may not originate the Mortgage by Modifying the Existing Mortgage if the Existing Mortgage is in default at the time of the Assignment (defined below). If the Mortgage is to be originated by the Seller by Modifying the Existing Mortgage, then the provisions in this section will be applicable. If the Seller will not originate the Mortgage by Modifying the Existing Mortgage, then the remainder of this section does not apply.

b. The Existing Mortgage will be assigned to the Seller in lieu of being discharged (Assignment). The Seller may document the Assignment in the manner appropriate to local practice, except that if the Assignment is by Freddie Mac, then the note for the Existing Mortgage will be endorsed by Freddie Mac to the Seller without recourse or warranty, and the security instrument for the Existing Mortgage will be assigned by Freddie Mac to the Seller using the standard form of Freddie Mac Assignment of Security Instrument.

c. In originating the Mortgage for sale to Freddie Mac, the Seller must use the Maryland or Florida Amended and Restated Note and the Maryland or Florida Amended and Restated Security Instrument available on the Freddie Mac Website. The Seller must complete the forms so that the entire history of the Existing Mortgage is reflected in the Amended and Restated Note and Amended and Restated Security Instrument. The Seller must use the Assignment of Security Instrument available on the Freddie Mac Website, completed to reflect the Amended and Restated Security Instrument.

d. If Freddie Mac holds the Existing Mortgage, the Seller must prepare and deliver to the Freddie Mac Multifamily Loan Accounting Payoff Team (mfopsloanacctpayoffs@freddiemac.com) at least 5 days before the scheduled origination date of the Mortgage, the forms for completing the Assignment of the Existing Mortgage from Freddie Mac to the Seller. The Seller must also notify the Payoff Team that the Mortgage will be originated by Assignment in order to obtain the original Note and Security Instrument for the Existing Mortgage. Freddie Mac will endorse the original note for the Existing Mortgage to the Seller and deliver it to the Seller (delivery to Single Counsel will constitute delivery to
the Seller) to be held in escrow until Freddie Mac has received the funds for payment in full for the Existing Mortgage.

The Seller must verify that all recordation, transfer, documentary stamp, intangible and similar taxes in connection with the Existing Mortgage and the Mortgage have been paid in full. The title insurance policy for the Mortgage must reflect the entire history of the Existing Mortgage and Mortgage in the description of the insured security instrument. For transactions in Maryland, the title insurance policy must contain an endorsement whereby the policy insures that the failure to pay, either at the time of recording or at any subsequent time, any recordation or transfer tax required to be paid pursuant to the provisions of the Tax-Property Article of the Annotated Code of Maryland will not affect the validity, enforceability or priority of the lien of the insured mortgage.

e. As part of the final delivery package for the Mortgage, the Seller must deliver the original note for the Existing Mortgage (including the originals of all notes in the chain of the Existing Mortgage if the Existing Mortgage is itself an amended and restated mortgage), and the original security instrument(s) for the Existing Mortgage. The original note(s) must be delivered with the Amended and Restated Note for the SBL Mortgage and should not be placed in a closing binder. The original note(s) need not be separately endorsed to Freddie Mac.

18.30 South Carolina Notice (12/04/15)
If the Property is located in South Carolina, then prior to originating the Mortgage, Seller must deliver to Borrower and Guarantor the following Notice Letter or another notice letter in compliance with the requirements of the South Carolina Code providing prior written notice that a waiver of appraisal will be required on the origination date of the Mortgage.

NOTICE OF WAIVER OF APPRAISAL RIGHTS

[Name and Address]

Re: [Describe Mortgage Transaction]

Dear [Insert name of Borrower and Guarantor]:

This letter provides you with written notice as required by S.C. Code Ann. Section 29-3-680 (1976), as amended, that a requirement of the above-referenced credit transaction is your agreement to waive appraisal rights provided by statute in South Carolina with respect to all real property serving as collateral for such loan.

The Mortgage documents to be executed by you at closing will include the waiver. If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.
18.31 **Assignment (12/04/15)**
Freddie Mac will have the right to assign or otherwise transfer the Letter of Commitment, early rate-lock application, or any Purchase Contract to any affiliate or subsidiary of Freddie Mac without the consent of Seller/Servicer (Freddie Mac Assignment). After a Freddie Mac Assignment, all references to Freddie Mac in the Letter of Commitment, early rate-lock application, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

18.32 **Buy Up (Premium Pricing) (12/04/15)**
If Freddie Mac purchases the Mortgage, in addition to the purchase price Freddie Mac pays to Seller for the Mortgage, Freddie Mac will pay Seller an amount equal to the Buy Up Fee set forth in the Seller Only Provisions of the early rate-lock application or the Letter of Commitment.

18.33 **Operational Repairs – Repair Letter (12/04/15)**
If there are Operational Repairs, on or before the Origination Date, the Seller must deliver a Repair Letter to the Borrower listing all Operational Repairs identified in the Physical Risk Report, Form 1104 or conventional Engineering Report, as applicable. The Seller must deliver a copy of the Repair Letter to Freddie Mac at the time of Final Delivery. The Repair Letter must not be listed in the Omnibus Assignment.