

Purpose. Freddie Mac is no longer accepting Small Balance Loan (“SBL”) Mortgage applications as of April 30, 2026. This addendum establishes consolidated SBL Guide requirements of Chapters 8SBL, 9SBL and 55SBL for use in review, transaction approval, documentation, and post-origination administration for Servicing of previously originated SBL loans (collectively, “SBL Servicing”). This addendum is deemed a part of and incorporated into the Guide solely for the purpose of conducting and facilitating SBL Servicing. The table of contents below links to the applicable Guide chapter.

Effective Date. This addendum is effective as of September 25, 2026, and applies to SBL Servicing on or after that date, unless otherwise specified by Freddie Mac.

Version History. The table below records material updates to this addendum and should be maintained by the responsible policy owner.

Version	Effective Date	Summary of Changes
1.0	09/25/26	Addendum created consolidating SBL Guide requirements for use for SBL Servicing.

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Chapter 8SBL, SBL Property Fundamentals

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

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

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

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

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

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

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

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

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

b. Commercial use (06/30/16)

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

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

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



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

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

c. Reserved (06/30/16)

d. Aluminum wiring (06/30/16)

If any of the buildings at the Property contain aluminum wiring, the Seller must notify Freddie Mac in writing, comply with the requirements of Chapter 66 and submit the following documentation:

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

8SBL.3 Moisture or Mold issues (12/16/25)

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

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

1. Training the maintenance staff to understand the hazard and respond to all water intrusion events or leaks according to Environmental Protection Agency (EPA) guidelines
2. Providing information to tenants including, but not be limited to
 - Tenant housekeeping responsibilities. (This information must be provided to tenants when they execute a new lease and at lease renewal.)
 - Tenant responsibility for notifying management in a timely manner regarding moisture or Mold issues



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

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

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

Note:

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

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

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

- With a history of moisture or Mold issues identified at underwriting, or
- With moisture or Mold issues identified during the term of the SBL Mortgage, or
- Without a Moisture Management Plan (MMP) (if the physical risk consultant recommended a plan but Freddie Mac waived the MMP)

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

1. Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation



2. Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
3. Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
4. Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, as well as all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas
5. Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
6. Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

c. Special Moisture or Mold Issues Inspection (12/16/25)

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

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

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

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

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

1. A third-party property condition consultant, meeting the requirements of Section 62.8, must conduct the Special Moisture or Mold Issues Inspection.
2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must:
 - a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues
 - b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Chapter 66
 - c. Make inquiries of the Borrower or property manager regarding past and current water intrusion or potentially damaging leaks; any known Mold problems; or any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks



- d. Examine any areas where water intrusion or leaks have been reported
- e. Examine all building components or areas most typically associated with water intrusion or potentially damaging leaks
- f. Identify any defective building conditions that would likely lead to future water intrusion or potentially damaging leaks
- g. Provide Freddie Mac with a comprehensive report on the inspection, which includes recommendations to correct all issues reported and observed with cost estimates for the repair work

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

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

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

- a. For an SBL Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must conform to all applicable zoning, subdivision and use laws, ordinances or codes and local building and housing codes. A zoning report is not required for an SBL Mortgage.
- b. The Seller must confirm that all certificates of occupancy required for the use, operation and occupancy of the Property for its presently-contemplated use have been issued and are in effect or, if certificates of occupancy are not available, that the absence of any certificate of occupancy is not a violation of local laws, ordinance, or codes, nor will it give rise to any enforcement action affecting the Property.
- c. If the Seller cannot confirm the requirements regarding certificates of occupancy specified in Section 8SBL.5, then Freddie Mac may purchase the SBL Mortgage only if all the following requirements are satisfied with respect to each unit for which such confirmation cannot be obtained (each a "Non-Permitted Unit"):
 - The underwritten income from the Property must exclude the gross potential rent (GPR) for any Non-Permitted Unit and the total unit count must not include the Non-Permitted Unit.
 - The underwritten expenses for the Property (including management fee and Replacement Reserves) must include all expenses attributable to all Non-Permitted Units.
 - The Non-Permitted Units must be excluded from any determination of whether minimum occupancy requirements are satisfied.
 - The Appraisal must not include any Non-Permitted Unit or any income derived from any Non-Permitted Unit in either the direct cap or final as-is valuation.
 - The insurance for the Mortgaged Property must include full coverage for all Non-Permitted Units and may not contain any exclusion based on the lack of a certificate of occupancy for any Non-Permitted Unit.



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

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Freddie Mac may request that Single Counsel submit a written evaluation of the legislation or variance and its applicability to the Property.
 - Limited or Conditional Restoration - If the Seller cannot provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the SBL Mortgage for purchase, the Seller must submit a damage restoration statement from the zoning authority that does each of the following:



- a) States the requirements of the current zoning classification (i.e., the number of units that could be rebuilt or the set back that would be required under current zoning).
- b) Specifies the percentage of damage to the Property's market, replacement, or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.

8SBL.6 Independent Property (04/22/25)

a. General Requirements (06/30/16)

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

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

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

"Essential Facilities" include the following, if applicable:

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

"Recreational Facilities" include the following, if applicable:

- Swimming pools



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

c. Purchase of an SBL Mortgage secured by a Property that is not an Independent Property (04/22/25)

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

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

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

3. Freddie Mac will require that the Borrower be personally liable for any loss or damages incurred by Freddie Mac because the Property is not an Independent Property and may



require one or more of the following as a condition to Freddie Mac's agreeing to purchase the SBL Mortgage:

- If Freddie Mac determines that it is feasible to create or construct Essential Facilities, Recreational Facilities or direct primary access, Freddie Mac may require the Borrower to make the necessary modifications so that the Property meets all of the requirements for an Independent Property
 - Freddie Mac may require the Borrower to establish a Reserve of the funds necessary to make the required modifications at a later date determined by Freddie Mac
4. If the Property is accessed via an easement, all of the requirements of Section 8SBL.6(d) are satisfied.
 5. If the Property does not contain the Essential Facilities needed to operate independently, all of the requirements of Section 8SBL.6(e) are satisfied.
 6. If the Property does not contain the Recreational Facilities needed to operate independently, all of the requirements of Section 8SBL.6(e) are satisfied.
 7. If the Property is located on non-contiguous parcels of land (Linked Buildings) the transaction must be prescreened by Freddie Mac.

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

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

1. The easement must provide safe ingress/egress to a publicly dedicated and maintained street.
2. The Property must have good visibility from the public street it accesses via the easement.
3. The easement must be wide enough to provide satisfactory fire/police/utility access and to handle all current and foreseeable types of traffic.
4. If the easement represents a shared access with, or through, another property, the Property must be able to operate satisfactorily without adverse effects (now or in the future) from the other properties that share such access.
5. Signage (if applicable) must be of sufficient size so that it is clearly visible from the public street.
6. The easement must be perpetual.
7. Each party's rights and responsibilities under the easement (including expenses) and remedies in the event of a breach by any other party must be generally acceptable to a prudent lender.
8. The easement may not allow for loss of use in the event of a breach. However, the easement may permit the placement of a lien which is subordinate to the SBL Mortgage for unpaid maintenance costs for the easement.



9. The easement must be recorded in the applicable land records for the jurisdiction prior to the Freddie Mac Funding Date and must be included in the insured legal description of the Property.
10. Seller must include in the underwriting package either a copy of the existing survey, tax map, or satellite images of the Property detailing the location of the easement as well as photographs taken from the public street showing the view of the Property from the public street and the location of the easement as well as the signage for the Property.
11. Seller must provide the appraiser with all information regarding the easement.
12. Seller must notify Freddie Mac and the appraiser if it learns of any circumstances that might limit access to the Property.

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

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

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

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

a. Tax parcels (06/30/16)

The Property must be identified as a single tax parcel or, if identified as multiple tax parcels, the Property must constitute the entirety of those tax parcels. Any tax parcel or parcels in



which the Property is located may not include property that is not subject to the SBL Mortgage sold to Freddie Mac.

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

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

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

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

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

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

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

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

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

**8SBL.9 Reserved (06/30/16)****8SBL.10 No condemnation or other adverse circumstances—Property (06/30/16)**

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

8SBL.11 Nonresidential leases (04/22/25)**a. General (04/22/25)**

For the purposes of this section, the term “commercial lease” refers to any non-residential lease under which the Borrower is the lessor (excluding ground leases, which are addressed separately in this Guide), including Infrastructure Agreements (as defined in Section 8.22 and further addressed in Section 8SBL.11(g) below), leases for retail space, office space, laundry facilities, cellular communication equipment, billboards, and petroleum products/minerals.

b. Analysis (06/29/17)

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

See [Section 55SBL.2](#) regarding commercial lease documentation required in the full underwriting package.

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

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

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

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

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

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

g. Infrastructure Agreements (04/22/25)

A lease created pursuant to an Infrastructure Agreement (as defined in Section 8.22) is acceptable for an SBL Property, provided, in addition to the requirements specified in Section 8.22, that it (a) contains terms and provisions, including compensation, that are customary for the market in which the Property is located, and (b) does not impose any financial obligations equal to or greater than \$50,000 on the Property owner, and does not impose any financial obligations on any mortgagee, and/or subsequent owner by foreclosure, deed-in-lieu of foreclosure or other conveyance (including reimbursement of any up-front fee paid by the provider to the Property owner upon termination of the agreement).

A Solar Agreement (as defined in Section 8.21) is a type of Infrastructure Agreement subject to additional Guide requirements. Although not generally permissible in connection with the origination of an SBL Mortgage, Freddie Mac may consider purchasing an SBL Mortgage secured by a Property that is subject to a Solar Agreement if the Solar Agreement satisfies the requirements specified in Section 8.21.

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

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

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

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

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

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

See Section 2.18 regarding the Freddie Mac Exclusionary List.

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



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

8SBL.14 SBL Mortgages ineligible for purchase (08/26/25)

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

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

8SBL.15 Property inspections and lease audits (06/24/25)

The Seller must inspect the Property, audit leases and submit the required [Property Inspection and Lease Audit](#) form.



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

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

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

a. Reserved (10/12/17)

b. Complete property inspection and lease audit (06/24/25)

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

1. The unit inspection must include the following:
 - A minimum number of residential units as follows:
 - The greater of 10 percent of the total number of units at the Property or five units. This excludes Down Units and commercial/non-residential units and must include a representative sample of vacant units and occupied units (of which at least 50% must be occupied), unit types and floor levels, including top floor and bottom floor units, and units subject to corporate leases.
 - If the calculation results in a decimal, it can be truncated to the nearest whole number so long as the minimum five-unit requirement is met (e.g., 5.9 units becomes five units).
 - Notwithstanding the above, a sufficient number of occupied residential units must be inspected such that at least 50 percent of the leases audited must be units inspected as required in 8SBL15(b)(8)(d) below. This may require more than the minimum number of residential units being inspected.
 - All Down Units
 - All commercial/non-residential units
2. Prior to the date of the inspection, unless delegated to the Seller, Freddie Mac must select units for the inspection and the Seller must instruct Borrowers to provide notices to the selected units:



- For Properties located in Very Small Markets, the Borrowers must provide notification to all tenants that a site inspection is pending.
- For Properties in all other markets (Top, Standard, or Small Markets), the Borrower must provide advance site inspection notifications to a minimum of twice the required number of units for inspection. If a Property has ten or fewer units, the Borrower must provide notification to all tenants. The number of selected units for which the Borrower must provide notification to tenants must be sufficient for the inspected units to meet lease audit requirements. If the selected units are not sufficient, the Seller must select additional units for which the Borrower must provide notification to tenants.

The inspector may require access to more or different units than those to which the Borrower provided notifications. If the Borrower cannot provide the inspector access to those units, the inspection must be rescheduled and those units inspected before the inspection is deemed complete.

3. On the day of the inspection, an appropriate sample of units must be identified to inspect from the selected units, ensuring that the minimum number of units are inspected and that the inspected units are sufficient to meet lease audit requirements. If Freddie Mac is on-site and participating in the inspection, Freddie Mac will select the units to be inspected, ensuring that the required number of units are inspected and that the inspected units are sufficient to meet lease audit requirements, which can be confirmed by the Seller. If Freddie Mac is not present, the Seller will select units to be inspected. Neither the Borrower nor the property manager may select or recommend units to be inspected.

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

4. The Seller must interview the property manager, if applicable, to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.
5. The Seller must inspect each building, including exteriors and all common spaces to include the following:
 - a. Roof access should be gained if not clearly visible from the ground (flat roofs).
 - b. Inspect a representative sample of ongoing or recently completed unit renovations, if applicable
 - c. Verify reported completed or in process capital improvements
 - Verification may also be supplemented through review of the Appraisal, Physical Risk Report, or SBL Cash Out Analysis following submission of the full underwriting package



- If none of the above are sufficient to verify completion of the capital improvements or unit renovations, the UW must require proof of completed capital improvements or unit renovations (such as invoices, etc.)
 - d. Inspect amenities available to tenants at the Property
 - e. Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation
 - f. Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems
6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.
7. The Seller must conduct a market analysis to include the following:
- a. Drive by identified rental comparables
 - b. Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket
 - c. Take photographs of rental comparables when unique issues or material concerns exist
 - d. If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket
8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:
- a. Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.
 - b. Current rent roll from the property manager that was used to prepare the property inspection including the full tenant names, current lease start and end dates and unit occupancy status
 - c. A sample or unexecuted residential lease or an executed lease with any personal or private information redacted
 - d. Completed [Property Inspection and Lease Audit](#) form to reflect a lease audit of:
 - If the Property has 10 units or less, 100 percent of occupied units
 - If the Property has more than 10 total units, the greater of 25 percent of all units or 10 units, up to a maximum of 30 units



- At least 50 percent of leases audited must be units inspected; the remainder can be chosen randomly by the inspector after including representative samples of:
 - Leases from any inspected corporate units
 - Leases signed within the last 60 days

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

Also, if lease files are maintained on-site, the lease audit must be conducted at the time of the site inspection.

- Leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional payments (e.g., late fees or other one-time charges).

The Seller/Service must retain electronic or hard copy records evidencing Seller's compliance with the verification requirements in this section.

- e. An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8SBL.15(b)
 - f. Documentation of complete property inspection in accordance with this section
 - g. If Freddie Mac has delegated the property inspection to the Seller, acknowledgment that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement. Delegation to the Seller must be approved by Freddie Mac and is permitted on an exception basis only.

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

The inspection and lease audit requirements of Section 8SBL.15(b) must have been completed within 90 days of Freddie Mac's receipt of the full underwriting package.

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

8SBL.16 Reserved (03/03/17)



8SBL.17 SBL Physical Risk Report (08/26/25)

This section sets forth the requirements, duties and responsibilities of the Seller/Servicer once the SBL Physical Risk Report has been completed by the physical risk consultant. See Chapter 66

- The physical risk consultant's requirements for evaluating the physical condition of the Property and completing [Form 1108, Physical Risk Report](#)
 - The Seller's requirements for retaining a physical risk consultant and reviewing [Form 1108](#)
1. Freddie Mac requires the Seller/Servicer to submit an SBL Physical Risk Report meeting the requirements of Chapter 66 before Freddie Mac will issue a Letter of Commitment to purchase an SBL Mortgage.
 2. Once the Seller has received and reviewed [Form 1108](#), the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Chapter 66, including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Small Balance Loan Team* of unusual or questionable conditions.
 3. Additionally, the Seller must:
 - Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to submission of the full underwriting package to Freddie Mac
 - Prepare Loan Documents which include completion, reserve funding, and other requirements for Capital Replacements and Repairs required by the Letter of Commitment, as applicable
 - Provide a copy of the completed SBL Physical Risk Report to the Borrower so that the Borrower is aware of the Priority Repairs (including PR-90 Repairs), as defined in Chapter 66, that must be completed by the Borrower per the Loan Document requirements
 4. If any of the following conditions exist at the Property and become Priority Repairs, Freddie Mac will require a Reserve for all identified Priority Repairs (including PR-90 Repairs):
 - The estimated cost to complete all Priority Repairs (including PR-90 Repairs) identified in the SBL Physical Risk Report is \$25,000 or greater, or
 - The Property receives an "Overall Property Condition Rating/Capital Needs Over the Loan Term" rating of "4 - Deteriorated" or lower in the SBL Physical Risk Report or in the Seller and/or Freddie Mac inspection, or

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

- When material repairs are more likely to impact habitability such as:
 - Structural repairs related to foundation/building slabs, stairs, walkways, balconies, decks, and fire escapes



- Moisture and mold issues requiring the use of a mold remediation professional or where a major building system is identified as the source of moisture
- Major building system such as electrical (excludes in-unit systems, fixture replacement such as GFCI outlets, smoke detectors, etc.), HVAC, plumbing, down elevator(s)

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

If the Priority Repairs exceed \$75,000 or have a material repair more likely to impact habitability as described in 8SBL.17(4), the Seller must submit a remediation plan from the Borrower as to their intended methodology for remediating all repairs within the required time frame. See Guidance – [Priority Repair Remediation Plan](https://mf.freddiemac.com/lenders/uw) at mf.freddiemac.com/lenders/uw.

8SBL.18 Condominiums (06/29/18)

a. Condominiums (10/12/17)

Freddie Mac will consider purchasing an SBL Mortgage that is secured by a security interest in Property that is subject to a condominium regime (“Condominium” or “Condo”) only if it is a 100 percent Borrower-owned Condo. The following additional requirements must be satisfied:

- The Appraisal must indicate that the Property is a 100 percent Borrower-owned Condo.
- The Letter of Commitment may require certain modifications to the Loan Agreement and the Security Instrument.

8SBL.19 Tax abatements (10/21/25)

a. Tax abatement definition and overview (06/30/16)

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

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

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

1. Program eligibility

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



The Seller/Servicer must:

- Obtain and review the documents required for program eligibility listed in the Tax Abatement/Exemption Analysis – SBL posted on the Multifamily Servicing Legal Documents [web page](#) under “Miscellaneous,” and
- Include in the applicable underwriting package the Tax Abatement/Exemption Analysis – SBL and the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL

2. Statutory approval

The applicable statute for the tax abatement must be in force at the time that the Seller/Servicer submits the full underwriting package to Freddie Mac.

3. Continuation of tax abatement

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

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

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

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

1. For all tax abatements, the Seller/Servicer must include in the applicable underwriting package the evidence of tax abatement documentation listed in [Section 55SBL.2](#).

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

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



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

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

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

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

- Prepare the Tax Abatement/Exemption Analysis – SBL posted on the Multifamily Servicing Legal Documents [web page](#) under “Miscellaneous,”
- Include the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL, and
- Respond to any issues raised by the Multifamily Attorney

d. Collateral valuation for tax abatement (06/30/16)

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

e. Refinance test and DCR calculation for Properties with tax abatements (10/21/25)

1. Refinance test for all SBL Mortgages underwritten with a tax abatement expiring within 10 years after the maturity date of the SBL Mortgage

Freddie Mac performs a refinance test as follows:

- The refinance period will be equal to the 10 years following the maturity date of the SBL Mortgage.

2. DCR calculation for all SBL Mortgages underwritten with tax abatements

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

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be “infinite” and abated taxes can be utilized to derive the NOI and perform the refinance test:
 - a. The abatement expires more than 10 years after the SBL Mortgage maturity date
 - b. The abatement phases out at least 10 years after the SBL Mortgage maturity date
 - c. The abatement expires at least 20 years after the Origination Date
 - d. The abatement is renewable annually and the applicable authority does not have discretion in determining whether the Borrower or Property qualifies for renewal



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

For SBL Servicing



Chapter 9SBL, SBL Property Fundamentals

9SBL.1 Introduction (06/30/16)

This chapter details Freddie Mac's Borrower and Borrower Principal requirements for a Small Balance Loan (SBL) Mortgage. These requirements may also apply to Special Servicing Requests when appropriate.

9SBL.2 Borrower and Borrower Principal requirements (12/16/25)

a. General Borrower requirements (12/12/24)

1. The following types of Borrower are generally acceptable:
 - Limited partnership
 - Limited liability partnership
 - Limited liability company
 - Real estate investment trust (REIT)
 - Irrevocable trusts meeting the requirements of [Section 9SBL.6](#)
 - Tenancy-in-Common (TIC) meeting the requirements of [Section 9SBL.12](#), provided the TIC has five or fewer members
2. The following types of Borrower are not permitted:
 - Individual
 - Land trusts or business trusts (including Delaware Statutory Trusts)
 - Pension or retirement funds or accounts
 - Not-for-profit corporations
 - Tennessee obligated member entity
3. The following types of Borrower may be approved by Freddie Mac in its discretion:
 - Revocable trust meeting the requirements of [Section 9SBL.6](#)
 - General partnership
 - For-profit corporation
 - Restricted Multiple Asset Entity meeting the requirements of Section 9SBL.2(b)(3)
4. Borrower must be organized in the United States.



5. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the conflict in writing to Freddie Mac when the Seller delivers the full underwriting package. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.
6. Borrower must not be involved in any active bankruptcy, foreclosure, deed in lieu of foreclosure, or other liquidation proceeding.

b. Borrower Single Asset Entity (SAE) and Restricted Multiple Asset Entity (Restricted MAE) requirements (06/16/22)

1. Unless either of the following scenarios apply, Borrower must be a Single Asset Entity (SAE), the full requirements for which are set out in the Loan Documents:
 - (i) Borrower is a revocable trust approved by Freddie Mac
 - (ii) Borrower is a Restricted Multiple Asset Entity (Restricted MAE) approved by Freddie Mac that satisfies the conditions specified in Section 9SBL.2(b)(3)
2. If Borrower is an SAE, the Property must be Borrower's sole asset and the operation of the Property must be the Borrower's sole business. Generally, a Borrower that is organized as a Single Purpose Entity (SPE) also satisfies the SAE requirements.
3. If a Restricted MAE Borrower is approved by Freddie Mac, in addition to the requirements set out in the Loan Documents, all the following additional conditions apply:
 - (i) The Property and any additional real property disclosed in writing to Seller prior to Origination (Additional Permitted Property) must be Borrower's only assets.
 - (ii) The operation of the Property and the Additional Permitted Property must be the Borrower's sole business.
 - (iii) Borrower may not acquire assets beyond the Property and the Additional Permitted Property after Origination.
 - (iv) Borrower may sell, finance, or refinance all or a portion of the Additional Permitted Property during the term of the Loan.

c. Borrower Principal, Key Borrower Principal (including Guarantor) requirements (12/16/25)

1. General Requirements. A Borrower Principal (including all Guarantors), must satisfy all of the following requirements:
 - Be an individual, or if approved by Freddie Mac, an entity formed in the United States
 - If an individual, must:
 - Either be a United States citizen or lawful permanent resident of the United States, and be residing in the United States, or



- An individual meeting the Foreign Borrower Principal requirements in Section 9SBL.2(e)
- Key Borrower Principals that directly or indirectly control an entity Borrower must either be an entity formed in the United States, or an individual that is a citizen or lawful permanent resident of the United States
- If an individual is identified as the Key Borrower Principal with the primary responsibility for the daily operations of the Property, they must:
 - Reside within 100 miles of the Property
 - Manage and/or own United States real estate assets other than the subject Property and have a demonstrated understanding of United States real estate practices

Seller must immediately notify Freddie Mac if any Key Borrower Principal, or any Borrower Principal with direct or indirect Control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of an individual retirement account, pension fund or other retirement investment fund.

2. Key Borrower Principal Requirements. In addition to the requirements set forth above, at the time of the “as of date” of a compliant [Form 1116, Real Estate Schedule](#), Seller Application, or submission of the full underwriting package, at least one Key Borrower Principal must:
 - Have had Control of and owned an equity interest in (including through an entity) at least three multifamily properties each with five or more units (which may include the Property), together with Control (including through an entity) of at least one of these multifamily properties for the preceding two years, without interruption, or
 - Have had Control of and owned an equity interest in (including through an entity) a multifamily property containing five or more units (which may include the Property) for at least the five preceding years, without interruption, or
 - Have had Control of and owned an equity interest in at least 10 residential units (including through an entity) consisting of 2- to 4-unit properties for a minimum of the preceding two years
3. Key Borrower Principal Due Diligence. Each Key Borrower Principal with Ultimate Control or Guarantor meeting the following conditions are subject to additional due diligence requirements:
 - (i) Does not individually meet the criteria noted in Section 9SBL.2(c)(2) above when the Seller/Servicer received Freddie Mac approval to deliver a full underwriting package, or
 - (ii) Is a First-Time Sponsor or Rapid Growth Sponsor, both of which are defined below,

These parties are subject to the following requirements:



- Liquidity verification documentation (See [Section 55SBL.2](#))
- A [Form 1116, Real Estate Schedule](#), that complies with the verification and record retention requirements set forth in Section 11.6(b) and (c)
- Sponsor Meeting (See Section 11.8)

First-Time Sponsor: When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has transacted multifamily business in a similar role in the past 10 years with Freddie Mac.

Rapid Growth Sponsor: When the Key Borrower Principal meets the following conditions:

- (i) Controls at least 15 multifamily properties, and
- (ii) At least 50% of those multifamily properties Controlled by Key Borrower Principal were purchased within the past three years

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

d. **Guarantor requirements (12/16/25)**

In addition to the Borrower Principal requirements in Section 9SBL.2(c), a Guarantor must satisfy all of the following requirements:

- At least one Guarantor must have Control of the Borrower (including through an entity)
- Guarantors must demonstrate a minimum net worth that is equal to the SBL Mortgage amount, including any adjustments required for Guarantors, based on a review of their real estate schedule. When more than one Guarantor is present, the aggregate of the adjusted values based on a review of their real estate schedule will be used.
- Demonstrate Liquidity equal to nine months of amortizing debt service before origination of the SBL Mortgage
- Must not be involved in any active bankruptcy, foreclosure, deed in lieu of foreclosure, or other liquidation proceeding, either directly or through any entities owned in whole or in part by the Guarantor
- If an individual, must have an average FICO® score of 680 or better with all three national credit bureaus (Equifax, TransUnion or Experian). If less than three FICO scores are available, all FICO scores must be 680 or better
- If an entity, must provide evidence of at least twice the minimum net worth and Liquidity requirements

e. **Foreign Borrower Principal (including Foreign Guarantor) (02/22/24)**



Freddie Mac may approve a Borrower Principal that is any of the following:

- Not a United States entity
- Not a United States citizen or lawful permanent resident of the United States
- A United States citizen or lawful permanent resident of the United States who does not reside in the United States

Freddie Mac may also approve such a Borrower Principal as a Guarantor (Foreign Guarantor) provided each of the following requirements apply:

- Foreign Guarantor must manage and/or own United States real estate assets other than the Property, and have a demonstrated understanding of United States real estate practices,
- Foreign Guarantor must appoint an unaffiliated agent in the United States acceptable to Freddie Mac for service of process on behalf of the Guarantor (for example, an attorney or a company whose business is to accept service of process for its customers), and
- If there is no financially compliant United States Guarantor, the Foreign Guarantor(s) must:
 - Provide evidence of at least 2x the minimum net worth and Liquidity requirements.
 - Maintain a minimum Liquidity in one or more U.S. bank accounts equal to five percent of the original principal balance of the SBL Mortgage, or such other amount as Freddie Mac may require; the bank(s) holding the account must be acceptable to Freddie Mac. This requirement may be satisfied in the aggregate by the Foreign Guarantor(s) exclusive of any U.S. Guarantor Liquidity.
 - If there is one or more Foreign Guarantor(s) and no financially compliant U.S. Guarantor, the minimum Foreign Guarantor net worth and Liquidity requirements may be satisfied in the aggregate by the Foreign Guarantors and any non-compliant U.S. Guarantors.

f. Reserved (09/26/19)

g. Borrower requirements specific to Crowdfunding (02/28/20)

No direct or indirect interest in Borrower may consist of investments raised via Crowdfunding.

9SBL.3 Persons or entities unacceptable as Borrowers, Borrower Principals and Guarantors (04/22/25)

a. Unacceptable persons or entities (04/22/25)

Freddie Mac will not purchase any Mortgage or allow any Transfer of Ownership under Chapter 41SBL, or approve any other Servicing-related transaction if it determines that any of the following is true with regard to a Borrower, Borrower Principal, or Guarantor or any person or entity that is proposed as a potential Borrower, Borrower Principal or Guarantor:



1. Is a confirmed match to a name on any of the following lists:
 - OFAC Specially Designated Nationals and Blocked Persons List
 - OFAC Consolidated Sanctions List
 - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
 - Freddie Mac Exclusionary List
2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering
3. Has a civil or criminal Conviction in connection with a Financial Crime such as embezzlement, fraud, misappropriation of funds
4. Is named as an accused or defendant in any pending or current criminal or civil proceeding relating to any of the crimes set forth in subsection 2 and 3 above
5. Is insolvent or the subject of a pending bankruptcy or similar proceeding
6. Is an adverse party to Freddie Mac in any pending or current litigation

b. Potentially unacceptable persons or entities (04/13/23)

Freddie Mac, in its sole discretion, may refuse to enter into a Letter of Commitment to purchase a Mortgage or allow any Transfer of Ownership under Chapter 41SBL, or approve any other Servicing-related transaction if a Web Search indicates any of the following with regard to a Borrower, Borrower Principal, or Guarantor or any person or entity that is proposed as a potential Borrower, Borrower Principal, or Guarantor or any person or entity that Controls any Borrower, Borrower Principal, or Guarantor:

1. Adverse information regarding Financial Crime
2. Negative credit events
3. Adverse actions that may pose a reputational risk for Freddie Mac including prior suits by tenants for improperly maintaining facilities with regard to insects or rodent pest control or other negative news events

9SBL.4 Reserved (06/30/16)

9SBL.5 Reserved (06/30/16)

9SBL.6 Trusts (06/15/23)

a. Trust underwriting requirements (06/15/23)



In addition to its ordinary underwriting procedures, the Seller must take the following steps when reviewing an application for an SBL Mortgage to a trust Borrower or for an SBL Mortgage with a trust Guarantor. The Seller must examine the trust agreement to determine that it has received a complete copy of the trust agreement, including all amendments, and if the trust is a revocable trust (also known as a living or inter vivos trust), that each of the following requirements are satisfied:

- The settlor (also known as the grantor) is still alive.
- The settlor is the trustee or one of the co-trustees or there is an institutional trustee.
- If the trust is a Borrower, the settlor is a co-Borrower with the trust or a Guarantor.
- If the trust is a Guarantor, the settlor is a co-Guarantor with the trust.

b. Trust legal requirements (06/29/17)

1. Legal analysis

For all trust Borrowers and trust Guarantors, Single Counsel must examine the trust agreement to determine that the trust meets all of the following conditions in addition to meeting the general conditions set forth in [Section 9SBL.7](#), where applicable.

- a. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the SBL Mortgage.
- b. If the trust is a Borrower, each of the following conditions must be satisfied:
 - There are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.
 - There is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the SBL Mortgage).
 - A lender can enforce its security interest in the trust property in the event of a default.
 - The title insurer will provide full title protection to Freddie Mac, without exception for the trust structure.
 - The form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.
- c. If the trust is a Guarantor, each of the following conditions must be satisfied:
 - The trustee is authorized to guarantee the debts of another entity.



- There are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Guarantor's ability to guarantee the SBL Mortgage.

If the trust or the trust agreement does not meet the requirements set forth above, and the trust or the trust agreement will not be modified prior to the Origination Date of the SBL Mortgage to comply with all of the requirements, Single Counsel must provide Freddie Mac with a description of the differences and recommendations as to whether and why Freddie Mac should accept the trust or trust agreement without them being fully compliant with this Section 9SBL.6.

9SBL.7 Review of Borrower and Borrower Principal organizational documents (10/12/17)

Single Counsel must review the organizational documents for any entity (including a trust) that is a Borrower or Borrower Principal (including an entity Guarantor) to ensure that the following conditions are met:

1. The entity is validly formed under the laws of the State in which it was organized.
2. For the Borrower and the general partner of a general partnership Borrower only, the entity is qualified to do business in the State in which the Property is located.
3. The entity does not expire, or in the case of an investment fund, have a termination date, during the term of the SBL Mortgage.
4. The entity has the required organizational power to execute, deliver and perform its obligations under the Loan Documents or the Guaranty (as applicable).
5. The individual executing the Loan Documents or the Guaranty (as applicable) on behalf of the entity has been properly authorized by the entity to take such actions on its behalf.
6. The entity complies with any additional Freddie Mac conditions set forth in the Guide or the Letter of Commitment.
7. There is no risk of impairment of Freddie Mac's rights resulting from the structure or operation of the entity that would be unacceptable to a prudent institutional lender originating a mortgage loan secured by a comparable property in the same locale as the Property.

If the organizational documents do not meet the requirements set forth above, and the organizational documents will not be modified prior to the Origination Date of the SBL Mortgage to comply with all of the requirements, Single Counsel must provide Freddie Mac with a description of the differences and recommendations as to whether and why Freddie Mac should accept the organizational documents without them being fully compliant with this Section 9SBL.7.

9SBL.8 Adverse circumstances—Borrower (06/30/16)

Seller may not be aware of any circumstances or conditions involving the credit standing of the Borrower that adversely affect the value or marketability of the SBL Mortgage.

9SBL.9 Preferred Equity (04/18/24)

Preferred Equity is not permitted in SBL.

**9SBL.10 Reserved (03/03/17)****9SBL.11 Reserved (06/30/16)****9SBL.12 Tenancy-in-common (TIC) (06/30/16)**

A TIC may be an eligible Borrower if it meets all of the following conditions:

- There may not be more than 5 TIC owners.
- Unless otherwise approved by Freddie Mac, each TIC owner must be an SAE.
- The TIC owners must enter into a tenant in common agreement ("TIC Agreement").
- The TIC owners and the TIC Agreement must satisfy the requirements set forth on the "Tenant in Common Borrowers – Minimum Requirements (SBL)" document posted on the Multifamily Servicing Legal Documents [web page](#) under "Miscellaneous."

If the TIC owners or the TIC Agreement do not meet the requirements set forth above, and the TIC owners or the TIC Agreement will not be modified prior to the Origination Date of the SBL Mortgage to comply with all of the requirements, Single Counsel must provide Freddie Mac with a description of the differences and recommendations as to whether and why Freddie Mac should accept the TIC owners or the TIC Agreement without them being fully compliant with this Section 9SBL.12.



Chapter 55SBL, SBL Documentation and Deliveries

55SBL.1 Use of Chapter 55SBL (10/21/25)

This Chapter 55SBL applies to SBL Mortgages. In this Chapter 55SBL, SBL Seller/Servicers are referred to as “Seller,” and SBL Mortgages are referred to as “Mortgages.”

Chapter 55SBL is to be used in the preparation of an underwriting package for an SBL Mortgage, and in the preparation of documentation to be submitted to Freddie Mac in connection with a Transfer of Ownership, as indicated in Chapter 41SBL.

a. Preparing an underwriting package (12/14/23)

1. Due Diligence – Chain of Custody.

- A. All source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting package as set forth in this chapter (other than Freddie Mac required third-party reports) must be delivered directly to the Seller/Servicer by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.
- B. By submission of the underwriting package to Freddie Mac, Seller/Servicer will be deemed to represent and warrant to Freddie Mac that it has complied with the due diligence and underwriting documentation chain of custody requirement.

2. Documentation Delivery. At the Seller's expense, the Seller must deliver the documents to Freddie Mac and remit any required fees to Freddie Mac by wire transfer, subject to Freddie Mac's approval.

- A. The Seller must obtain wire transfer instructions from the *Applicable Freddie Mac Multifamily Regional Office*.
- B. The Seller must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.
- C. With respect to each delivery:
 - The Seller must deliver the documents simultaneously.
 - The Seller may not make any changes to forms prescribed by Freddie Mac without prior written authorization from Freddie Mac.

If the delivery is incomplete, if the documents have not been properly prepared, or if the documents do not, or the delivery does not, otherwise conform to Freddie Mac requirements, Freddie Mac cannot process the package.



b. Preparing documentation required for a Transfer of Ownership (06/29/17)

Instructions for the preparation of documentation for a Transfer of Ownership can be found in Chapter 41SBL.

c. Notification requirements regarding updates to the underwriting package (02/16/23)

The Seller/Servicer must notify the Freddie Mac personnel primarily responsible for the underwriting of a Mortgage if there is new or revised documentation following Rate Lock. The mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not constitute an approval of such documents or for any change or modification to, or waiver of, any requirements of the Letter of Commitment or the Guide.

d. Ability to request additional information (04/13/23)

Notwithstanding the documentation requirements in [Section 55SBL.2](#), Freddie Mac reserves the right to request any document identified in [Section 55SBL.2](#) from any Borrower Principal.

e. Irrevocable license to use documentation delivered (10/21/25)

Seller/Servicer hereby grants to Freddie Mac a nonexclusive, perpetual, irrevocable, transferable, assignable, fully paid, royalty-free worldwide license (including the right to grant sublicenses to its affiliates, contractors, successors, and assigns) to use, copy, modify, distribute, display, perform, disclose, create derivative works from, and otherwise exploit all source documentation, due diligence and other underwriting documentation and records of whatever kind or description (whether prepared, originated or maintained by the Seller/Servicer, Borrower or others acting for or on behalf of the Seller/Servicer or Borrower, as applicable) delivered to Freddie Mac in connection with a prescreen package or underwriting package in whole or in part, for any purpose and in any media or format now known or hereafter developed, without limitation.

55SBL.2 Requirements for documents contained in the underwriting package or documents relating to a Transfer of Ownership (02/24/26)

[a](#) [b](#) [c](#) [d](#) [e](#) [f](#) [g](#) [h](#) [i](#) [j](#) [k](#) [l](#) [m](#) [n](#) [o](#) [p](#) [q](#) [r](#) [s](#) [t](#) [u](#) [v](#) [w](#) [x](#) [y](#) [z](#)

Document	Requirements
Access easement and Essential Facilities and/or Recreational Facilities easement documentation	The Seller must provide Freddie Mac with the following documentation: • If the Property shares primary ingress and/or egress with adjacent or neighboring properties ○ Documentation in accordance with Section 8SBL.6 ○ A PLIM, if required by Freddie Mac



Document	Requirements
	○ A copy of the survey if required for the Mortgage and photographs showing the location of the access easement and signage, if applicable ○ An opinion from a land use attorney acceptable to Freddie Mac, if requested by Freddie Mac • If the Essential Facilities and/or Recreational Facilities are located off-site (including another phase of a phased development) and are not under the exclusive control of the owner ○ Documentation in accordance with Section 8SBL.6 ○ A PLIM, if required by Freddie Mac • See also “confirmation of or a request for approval of shared facilities or access.”
Aged Receivables Report	The Seller must review and submit to Freddie Mac a report which displays tenant outstanding balances (including any subsidies) and duration (typically reflected as 30, 60, and 90+ day periods), including a cumulative total. The report should be dated as of the ending T-12 period for the current property financial statement submitted. Freddie Mac may require additional reports, over monthly intervals, in order to better assess changes in delinquencies and income collection over time. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Appraisal	The Seller/Servicer must provide Freddie Mac with a full Appraisal of the Property that meets the requirements of Chapter 60, including all conditions specified in the Additional Appraisal Requirements Memorandum. The Property value determined in the Appraisal must be no less than the Property value determined by Freddie Mac and the report must meet all Freddie Mac requirements and underwriting conditions.
Appraisal Revision Summary	For a Mortgage taken under application on or after June 2, 2025, the Seller/Servicer must provide an Appraisal Revision



Document	Requirements
	Summary as required by Section 60.10. The Seller/Servicer may use the Freddie Mac template or another format as long as it includes the information required in Section 60.10.
Borrower and Key Borrower Principal Blanket Certification, Form 1112	Form 1112, Borrower and Key Borrower Principal Blanket Certification, must be used to certify the following documentation: • Property Financial Statements (Historical and Budgeted) • Rent Roll • Real Estate Schedule • Financial Statement • Monthly collections, if not submitted and certified by Form 1144, Verification of Collections • Other documentation, as applicable (i.e., Aged Receivable Report, Liquidity verification documentation etc.) Form 1112 must be completely populated, including an indicator for the document(s) being certified as well as the applicable date(s) of the document(s). The certification for Form 1115, Borrower and Key Borrower Principal Certificate, will remain in that form and is not covered by the Form 1112.
Borrower and Key Borrower Principal Certificate, Form 1115	If any Borrower or Key Borrower Principal is organized as of the date of submission of the applicable package, the Seller must provide Freddie Mac with a Form 1115, Borrower and Key Borrower Principal Certificate, executed by each individual Borrower or Key Borrower Principal, as applicable. Form 1115 requests certification of the following information from Borrowers and Key Borrower Principals: 1. Past mortgage payment and default experience 2. History of criminal, administrative, and/or litigation proceedings Each Certificate must be dated not more than 60 days prior to the date the Seller submits the underwriting package to Freddie Mac ("Submission Date").



Document	Requirements
	For entities where the TIN is not yet available as of the date of this certification, an IRS Form W-9 is permitted as an alternative to resubmitting the Form 1115 . The W-9 must be submitted as soon as it is available (ideally with submission of the full underwriting package) but no later than the Origination Date.
Borrower's budgeted property financial statements	See " property financial statements ."
Breakdown of construction costs	For a Property that was built by the Borrower less than one year before the submission of the underwriting package, the Seller must submit to Freddie Mac a breakdown of construction costs. For current or planned construction, see "capital improvement documentation." The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Calculation of prepayment premium	For a Mortgage being used to refinance an existing Freddie Mac Mortgage, the Seller must provide to Freddie Mac a calculation of the prepayment premium payable with respect to the Mortgage being refinanced.
Capital improvement documentation	When required by Freddie Mac, the Seller must submit: • For current or planned construction on the Property, a summary of all current or planned construction and the projected costs of the construction • For any major past renovations, a summary of these renovations and documentation concerning the costs The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Certification — Organizational Chart, Form 1114	A certification that the Organizational Chart is accurate and all owners with a 25 percent or more interest and all Non-U.S. Equity Owners and Control are shown on the organizational chart. If prior to the loan origination or Transfer of Interests the Organizational Chart becomes inaccurate, the Seller must submit a revised Organizational Chart along with a new Form 1114, Certification – Organizational Chart .
Certified Organizational Chart	An Organizational Chart that is certified using Certification – Organizational Chart, Form 1114 .



Document	Requirements
Commercial lease documentation	The Seller must provide to Freddie Mac complete copies (with all amendments) of all commercial leases for the Property. To the extent requested by Freddie Mac, the Seller must provide separate income and expense analyses for the residential and commercial lease portions of the Property's income. The Seller must provide a completed Commercial Lease Analysis and Estoppel – SBL for each lease. If the income from a single commercial lease is five percent or more of the gross potential rent of the Property, or if otherwise requested by Freddie Mac, Seller must have the tenant execute the estoppel portion of the Commercial Lease Analysis and Estoppel – SBL. The Commercial Leases Analysis and Estoppel – SBL form is available on the Multifamily Servicing Legal Documents web page under “Miscellaneous.” See Section 8SBL.11 for commercial lease SNDAs and subordinations; see Section 8SBL.2(b) for commercial use requirements.
Complete Borrower/Key Borrower Principal Due Diligence Package	A Complete Borrower/Key Borrower Principal Due Diligence Package consists of Form 1115, Borrower and Key Borrower Principal Certificate; Form 1116, Real Estate Schedule; certified current financial statements for the Borrower and Key Borrower Principals and a credit report for Guarantors that are individuals; Form 1112, Borrower and Key Borrower Principal Blanket Certification; and Liquidity verification documentation, if applicable. It is submitted as part of the underwriting package to Freddie Mac.
Condominium Analysis	If the Property is subject to a condominium regime, the Seller must confirm in the Mortgage Transaction Narrative Analysis that the Borrower owns 100 percent of the real property that is subject to the Condominium regime.
Confirmation of compliance or a request for approval of shared facilities or access	If any on-site or off-site facilities or access are shared and if Freddie Mac requests a PLIM, the Seller must submit in a PLIM a confirmation that any such sharing arrangement meets the requirements of Section 8SBL.6.



Document	Requirements
Credit reports	The Seller must provide to Freddie Mac a current credit report on each Guarantor that is an individual. A credit report is not required for entities or foreign sponsors with no Social Security number. The subject of each report must have authorized the Seller to obtain the report and the report must 1. Be reviewed by the Seller 2. Be issued by an independent credit reporting agency acceptable to Freddie Mac 3. Be dated within 60 days before delivery to Freddie Mac 4. Verify debts listed on the financial statement submitted with the full underwriting package, including terms, balances and ratings 5. List any other debts 6. List all legal actions that involve the Borrower or Guarantor and are disclosed by a search of public records 7. Include FICO scores for Borrowers and Guarantors
Current property financial statements	See " property financial statements ."
Delegated property inspection letter	See " property inspection documentation ."
Document analysis by Single Counsel	The Seller must provide an analysis by Single Counsel of certain legal documents affecting the Property, as described in Section 6SBL.10.
Equity Conflict of Interest statement	If an Equity Conflict of Interest exists, as defined in Section 2.25, the Seller/Servicer must disclose the nature and extent of the conflict in writing to Freddie Mac as follows: • With the full underwriting package, or • For Transfers of Ownership, including Transfers of Ownership occurring in conjunction with the origination of a Supplemental Mortgage, to <i>Multifamily Asset Management, Borrower Transactions</i>
Evidence of Insurance	The Seller must submit the following to Freddie Mac to verify that the Property has, or will have as of the Freddie Mac Funding Date, adequate property damage and liability insurance



Document	Requirements
	as required by the Purchase and Servicing Documents: - Fully completed Form 1133, Seller/Servicer Certification of Insurance Coverage, via the Insurance Compliance Tool (ICT) - The documents listed in Sections 31.20(a) and 31.20(b), as applicable For an underwriting package pertaining to the refinance of an existing mortgage not owned by Freddie Mac, prior to the Origination Date of the Mortgage, the mortgagee or mortgage holders clause and additional insured clause must be changed to reflect the requirements of the Guide.
Evidence of Tax Abatement	For Properties benefiting from real estate tax abatements, the Seller must provide a completed Tax Abatement/Exemption Analysis – SBL and documentation from the taxing authority or the governing body confirming: - That the Property or the Borrower, as applicable, has qualified for the Tax Abatement - The amount of annual tax to be paid, if any - The term of the Tax Abatement - Any other requirements of the Tax Abatement See Section I of the Tax Abatement/Exemption Analysis - SBL for additional details concerning the documentation to be provided in the underwriting package for all tax abatements. The Tax Abatement/Exemption Analysis - SBL is found on the Multifamily Servicing Legal Documents web page under “Miscellaneous.”
Financial statements of Borrower and Key Borrower Principals – certified	The Seller is required to submit to Freddie Mac financial statements from the Borrower and any Key Borrower Principal that is not a newly formed entity. Each financial statement must include the following: Current certified financial statements (dated within six months of delivery of the full underwriting package),



Document	Requirements
	including a balance sheet, for the Borrower and each Key Borrower Principal - Federal income tax returns for the Borrower for the most recent taxable year, if requested NOTE: Freddie Mac may require additional financial statements or federal income tax returns for the three most recent taxable years from the Borrower and each Key Borrower Principal in Freddie Mac's sole discretion. If the financial statements are audited, the financial statements must include a statement of changes in financial position and all notes. If audited financial statements are not available, the party whose finances are summarized by the statement must certify that the statements are complete and accurate. In addition, the Seller must provide a list of: - All other non-real estate assets, including the market value of each asset, the basis for calculating the value and any note receivables from related entities - All liabilities and contingent liabilities, including debts under lines or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation - Any factors that may materially affect the Borrower's or Key Borrower Principal's financial position immediately or during the term of the Mortgage The Seller must review the Borrower financial statements. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. <u>Non-profit Borrower or Key Borrower Principal</u> If the Borrower or Key Borrower Principal is a non-profit, the Seller must identify whether the non-profit Borrower's or Key Borrower Principal's primary funding sources are from fees on development projects or from competitive sources such as public funding, grants, gifts, or donations that may be subject to budget constraints.



Document	Requirements
Financial statements – property	See “ property financial statements .”
Flood zone determination (FZD)	The Seller must provide to Freddie Mac a flood zone determination (FZD) meeting the requirements of Section 31.8(a)
Ground lease documentation	For a Property subject to a ground lease, the Seller must provide to Freddie Mac all the following, with a copy of each to the applicable Single Counsel (see Chapter 30). • A copy of the ground lease and all existing amendments • A summary by Single Counsel of any items from the Ground Lease Analysis form (available at mf.freddiemac.com/lenders/legal) that are not satisfied and the risks associated with each non-compliant item • Written confirmation that the fee owner is willing to execute the Security Instrument to encumber its interest • Any other items required by Chapter 30
Historical property financial statements	See “ property financial statements .”
Land Use Restriction Agreement (LURA)/ regulatory agreement	A copy of the applicable regulatory agreement imposing tenancy, occupancy and other operating and use restrictions on the Property, along with a Regulatory Agreement Questionnaire – SBL (available on the Multifamily Servicing Legal Documents web page under “Miscellaneous.”). See also “rent, income and use restriction documentation.”
Liquidity verification documentation	Each Key Borrower Principal with Ultimate Control and each Guarantor who (i) is a First-Time Sponsor, (ii) does not meet the requirements of Section 9SBL.2(c)(2), or (iii) is a Rapid Growth Sponsor, must provide bank or brokerage statements either (i) reflecting an average balance for the preceding 12-month period or (ii) from each of the preceding three consecutive months. The bank or brokerage statement(s) must be dated within 60 days of delivery of the full underwriting package (when providing statements for each of the preceding three consecutive months, the most recent statement must be dated within 60 days of delivery of the full underwriting package and the average of the three months will be used).



Document	Requirements
	The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. For the Key Borrower Principals noted above, the Liquidity reported in the bank or brokerage statements will be the basis of any Liquidity determination, including as it relates to certain Liquidity thresholds required by the Guide. Additionally, the bank or brokerage statements provided must support the Liquidity represented in the Key Borrower Principal's certified financial statement. With the delivery of the full underwriting package, the Seller must submit a summary of their analysis of the bank or brokerage statements ("Liquidity Verification Worksheet"), including a listing of each account verified, date of the statement, verified liquidity amount, and comparison to the certified financial statement. The Seller may use their own format, provided it contains the required information, but a sample Liquidity Verification Worksheet template can be found on mf.freddiemac.com/lenders/uw. The Liquidity Verification Worksheet must also identify material deviations from the certified financial statement. These deviations require an explanation, acceptable to Freddie Mac, which must be included in the Mortgage Transaction Narrative Analysis or the Liquidity Verification Worksheet. Liquidity verification for a Private Investment Fund that is also a First-Time Sponsor, Limited Multifamily Experience Sponsor, or Rapid Growth Sponsor may also include additional documentation acceptable to Freddie Mac to support unfunded capital commitments, such as investor subscription agreements or similar documentation. Such documentation may not rely solely upon a certification from the Borrower or Key Borrower Principal and must be certified using Form 1112. U.S. Public Companies and Governmental Entities that are First-Time Sponsors, Limited Multifamily Experience Sponsors, or Rapid Growth Sponsors are not required to submit Liquidity verification documentation.
Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation	The Seller must provide a copy of: • The allocation letter • The Low-Income Housing Credit Allocation and Certification, IRS Form 8609, used to obtain a housing credit allocation from the housing credit agency when a Property is placed



Document	Requirements
	into service The Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, IRS Form 8823, if any, that was used to notify the Internal Revenue Service of noncompliance with the requirements of Internal Revenue Code (IRC) §42 from both the property manager and the Borrower Principal. In addition, the Seller must obtain from the property manager and the Borrower a report of any unresolved issues with State allocating agencies on existing LIHTC properties. See also "rent, income and use restriction documentation."
Management plan or management agreement	- The Seller must obtain the total amount of the management fee as a percentage of effective gross income (EGI), which Freddie Mac will evaluate during the underwriting of the Mortgage. - If the Property is managed by the Borrower or the Key Borrower Principal, the Seller must review the Borrower's management plan. - If a management firm is managing the Property, the Seller must review a copy of the management agreement for the Property. - The management agreement must be terminable by the property owner upon not more than 30 days' notice to the manager without the necessity of establishing cause for termination and without payment of a penalty or fee.
Mortgage transaction narrative analysis	The Seller must provide to Freddie Mac a mortgage transaction narrative analysis, which (at the Seller's option) may be based on the Mortgage Transaction Narrative Analysis – Best Practices. The mortgage transaction narrative analysis must contain the following: - Characteristics of the proposed Mortgage that make it an investment quality Mortgage, risk factors and the reasons the Seller recommends the Mortgage - Property's physical description, including full address with zip code (including amenities, unit features and general



Document	Requirements
	competitive advantages and disadvantages) 3. Property's financial analysis (profile and trend) 4. Evaluation of balloon risk that includes the Borrower's ability to pay the unpaid principal balance (UPB) of the new Mortgage at maturity 5. Surrounding property uses and physical condition, public facilities, shopping facilities and sources of employment 6. Market analysis (occupancy, supply and concessions) 7. History of the Borrower's equity investment in the Property and the Borrower's proposed use of Mortgage proceeds 8. Description of the Borrower, including a description of the borrowing entity, the Borrower's organizational chart and a summary of the qualifications of the Borrower and all Key Borrower Principals, including an estimate of the financial capacity of each (that is, estimated net worth, Liquidity and contingent liabilities) 9. An indicator if the Key Borrower Principal(s) or Ultimate Control of the Key Borrower Principal(s) is a First-Time Sponsor, Rapid Growth Sponsor, or does not individually meet the requirements of Section 9SBL.2(c)(2) 10. Description of property manager, including a summary of the qualifications of the proposed property manager, the number of units managed, how long it has managed the Property and the amount of the management fee 11. Review of third-party reports, including the Seller/Servicer's reviews of and comments on the Appraisal, environmental and property condition reports (with full underwriting packages only) 12. For refinance transactions, a description of the existing mortgage on the Property, including the current unpaid principal balance, current lender, and any other information that could be material to Freddie Mac in its underwriting or approval of the transaction. A refinance of an existing Freddie Mac Mortgage must be clearly identified. 13. Proposed sources and uses of funds 14. Information on tenancy characteristics or employer concentration (including whether tenants are primarily elderly, singles or families and whether there is a student or



Document	Requirements
	military population) 15. Cash equity at risk 16. Refinance Analysis on SBL Mortgages that are refinances exceeding the existing unpaid principal balance 17. Documentation of Real Estate Schedule – Form 1116 verification, including if unable to verify the ownership information for the sample, if any discrepancies are found, or if alternative method of verification approved by Freddie Mac, if verification applicable per Section 11.6. 18. Documentation of historical financial statement reconciliation for refinances of Freddie Mac Mortgages and Supplemental Mortgages, including the statements reviewed and any deviations noted between the historical property financial statements and Servicing Statements, if reconciliation applicable per Section 11.7 19. Documentation of Sponsor Meeting, if applicable, per Section 11.8 20. Any exception requests The mortgage transaction narrative analysis may also include the property inspection documentation described in Section 8SBL.15(a), as applicable. <u>In addition to items 1 – 16 above, for a Mortgage securing a Property subject to a condominium regime:</u> See “Condominium Analysis.”
Organizational Charts – Borrower, Guarantor (not in Borrower’s organizational structure), or Pre-Approved Transferee	For any entity that is a Borrower, or a Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, the Seller must submit to Freddie Mac an organizational chart showing the direct and indirect ownership for that entity identifying any individual or entity: • With 25 percent or greater aggregate direct or indirect interest in Borrower, Guarantor not in the Borrower’s organizational structure, Pre-Approved Transferee not in the Borrower’s organizational structure, including beneficial interests in a Delaware Statutory Trust or Illinois Land Trust • That is a Non-U.S. Equity Holder



Document	Requirements
	- For Pre-Approved Transferees, all individuals and entities with direct or indirect Control of the Pre-Approved Transferee, and all individuals and entities with direct and indirect Control of the Borrower after the proposed transfer - That directly or indirectly Controls Borrower, Guarantor not in Borrower's organizational structure, Pre-Approved Transferee not in the Borrower's organizational structure, including any general partner, managing member, non-managing member, member of a board of managers, settlor/trustee of a living trust or revocable trust or trustee of an irrevocable trust 100 percent of the ownership interest in Borrower must be shown. Single Counsel must review the Organizational Chart. See Guidance – Organizational Charts at mf.freddiemac.com/lenders/uw.
Payroll schedule	The Seller must provide a current schedule of payroll expenses associated with the operation of the on-site leadership team at the Property, including salary, wages, bonuses, net pay and deductions. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Physical Risk Report	See Physical Risk Report, Form 1108 .
Preliminary legal issues memorandum (PLIM)	The Seller must submit to Freddie Mac a preliminary legal issues memorandum meeting the requirements of Section 6SBL.7, if required for a specified issue.
Property financial statements	The Seller must provide to Freddie Mac financial statements for the Property as specified below: Each operating statement must be dated and expressly identify within the document itself the time period to which it relates. Historical property financial statements The Seller/Servicer must submit a certified operating statement that includes the prior three full years. However,



Document	Requirements
	if a Year 3 statement is not available, the Seller/Servicer must submit: ○ Year 1 back statement, and ○ Year 2 back statement, if available ○ Current property financial statements (T-12 format or YTD) Freddie Mac strongly prefers the Seller/Servicer to submit a T-12 operating statement. However, if a T-12 operating statement is not available, the Seller/Servicer must submit a YTD statement. In the event year-end and T-12 property financial statements are both provided in a monthly format the Seller must advise Freddie Mac of any inconsistencies observed in overlapping months between T-12 and the prior year property financial statement. The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification. • Monthly Collections Six months trailing monthly property collections are required if the loan request is a refinance. Three months trailing monthly property collections are required if the loan request is an acquisition. As applicable, the aforementioned collections will either be covered by Form 1144, Verification of Collections, or via the Form 1112. • Borrower's budgeted property financial statements The Borrower's budget for the following 12-month period. The document(s) must be certified using Form 1112. The Seller must review the property financial statements, which must include income and expense statements.



Document	Requirements
	If the financial statements are audited, they must include a statement of changes in financial position and all notes. For a refinance Mortgage where the Seller both originated the existing Mortgage and is the current Servicer of the existing Mortgage, the Seller must also provide the Servicing Statements used to reconcile the historical property financial statements as required in Section 11.7(b) if such Servicing Statements are not already present in DMS.
Property inspection and Lease Audit documentation	At full underwriting, the Seller must complete and document the property inspection described in Section 8SBL.15. The inspection requirements must be completed within 90 days of Freddie Mac's receipt of the applicable underwriting package. If Freddie Mac has delegated the property inspection to the Seller, the Seller must acknowledge this delegation on the Property Inspection and Lease Audit form. If the Seller inspection is not on the same day as the inspection for either the Appraisal and/or the Physical Risk Report, the Seller must compare the observations from all other inspections to ensure all information is consistent. See Section 8SBL.15 for additional information regarding property inspection requirements.
Purchase agreement documentation	For acquisition loans, the Seller must submit to Freddie Mac: • A copy of the purchase agreement and all amendments • An analysis of the purchase agreement and all amendments by Single Counsel using the Purchase Agreement Analysis form Freddie Mac will not be deemed to have knowledge of any hazardous conditions, zoning issues or property condition issues merely by its possession of the purchase agreement.
Real Estate Schedule, Form 1116	The Seller must provide to Freddie Mac a Form 1116, Real Estate Schedule, for all real estate in which any Key Borrower Principal that is not newly formed currently has ownership and/or Control. An Excel version of the Real Estate Schedule is required. If alternative documentation to Form 1116 is submitted, this



Document	Requirements
	documentation must be materially similar, include all key data points necessary to properly assess risk, and be acceptable to Freddie Mac. The Real Estate Schedule must be dated within 180 days from the date of submission of the underwriting package and certified by the Key Borrower Principal as complete and accurate. The Key Borrower Principal must: - Identify properties with loans with potential recourse obligations beyond customary non-recourse carveouts, including the following: - The full recourse obligation to the lender, including the entire amount of joint and several guarantees - For loans on properties under construction, the loan amount drawn to date and the as-is value - Provide a written explanation of any non-performing assets in its portfolio The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Real estate tax bill	If the Borrower is acquiring the Property, the Seller must provide to Freddie Mac a copy of the most recent real estate tax bill from the Property's local taxing authority.
Registration of rental units (rent regulation/rent control/stabilization)	Properties in New York For Properties in New York, the Seller must provide to Freddie Mac: (i) proof of compliance with applicable State or local requirement for the registration of rents in New York, including evidence of the current registered rent for each unit in the Property, (ii) a current certified Division of Housing & Community Renewal (DHCR) rent roll or equivalent, and (iii) any information necessary to justify underwritten rents above legal rents, which is acceptable to Freddie Mac at its discretion. An example is the annual Rent Guideline Board's (RGB) rent increase allowances. Properties in other States Freddie Mac may require similar proof of compliance with such requirements for prior years and may require other evidence of compliance with State or local rent control or stabilization laws in other States.



Document	Requirements
Rent, income and use restriction documentation	The Seller must provide copies of any existing regulatory agreements (including any amendments) creating tenant income, rent or other operating or use restrictions for the Property. If applicable, see also: • Land Use Restriction Agreement (LURA)/Regulatory Agreement (for LIHTC) • Low-Income Housing Tax Credit (LIHTC) allocation and certification documentation • Registration of rental units (rent control/stabilization)
Refinance Analysis	If applicable, the following documentation may be required for SBL Mortgages that are refinances exceeding the existing unpaid principal balance: • Refinance Analysis • Three months of bank statements showing rental deposits • Rent roll verifying net residential income (NRI) growth • Evidence of capital expenditures completed or construction, including: ○ Photos ○ Schedule of completion ○ Paid receipts/contracts ○ Building permits ○ Post-completion inspection reports ○ Additional evidence required by Lender
Rent roll	The Seller must review and provide to Freddie Mac a rent roll that meets the following requirements. An optional Rent Roll Template can be found at https://mf.freddiemac.com/docs/rent_roll_template.xls. • Is dated within 30 days of the underwriting package submission • Is complete with respect to the required information below for each unit:



Document	Requirements
	1. "As of" date of the rent roll clearly indicated within the document 2. Tenant's name(s) 3. Unit number or identification 4. Unit type (number of bedrooms and bathrooms) 5. Square footage of each unit 6. Occupancy status by unit 7. Identification of any employee units, model units, corporate units and units used as rental offices 8. Monthly contract rent 9. Concessions, rebates or discounts given to tenant, if applicable 10. Arrearages owed by tenant, if any 11. Subsidies, if applicable (specify type) 12. Rent controlled or rent stabilized, if applicable 13. Original occupancy date, per tenant 14. Lease commencement date 15. Lease expiration date and renewal options, if any 16. Month-to-month status, per tenant 17. Amount of security deposit held 18. Furnished or unfurnished status The document(s) must be certified using Form 1112, Borrower and Key Borrower Principal Blanket Certification.
Residential lease sample	Freddie Mac requires the property inspector to upload, to DMS as part of the required Property inspection documentation, a sample or unexecuted residential lease or an executed residential lease.
SBL Physical Risk Report – Form 1108	Seller must provide to Freddie Mac a completed Form 1108 , meeting the requirements of Chapter 66.
Seismic risk documentation	If a Property is in an Elevated Seismic Hazard Region, the Seller must provide to Freddie Mac a Seismic Risk Assessment (SRA) and a copy of the Peak Ground Acceleration (PGA) calculation obtained from the United States Geological Survey (USGS) website, as required by Section 64SBL.2(b), as applicable. If a Level 1 SRA is required the Seller must also provide to Freddie Mac Form 1102, Seismic Risk Assessment Summary .



Document	Requirements
Seller's mortgage loan application with Borrower	Seller must provide to Freddie Mac a copy of the mortgage loan application executed by the Borrower and submitted to the Seller. The application must evidence all material terms of the proposed mortgage financing. The mortgage loan application must include the following authorization by the Borrower: “The Borrower understands that [Name of Seller] intends to sell the mortgage loan for which Borrower is applying (the "Mortgage") to Freddie Mac. If Freddie Mac purchases the Mortgage, the Borrower's signature below constitutes the Borrower's authorization for Freddie Mac to publicly use, at Freddie Mac's discretion, the name of the Property, photographs of the Property, and basic transaction information (for example, the number of units in the Property, the loan amount, etc.) relating to the Mortgage.” The mortgage loan application must also include the following acknowledgements by the Borrower: • “The Borrower understands that subsequent to the closing of the Mortgage, Freddie Mac may require regular financial statements from the Borrower outlining the Property's financial performance.” • “The Borrower acknowledges that this Mortgage will be sold to Freddie Mac and that Freddie Mac may sell this Mortgage into a commercial mortgage-backed securitization or similar type execution and may not hold this Mortgage in Freddie Mac's portfolio.”
Seller's pro forma property financial statements	The Seller must prepare the Seller's pro forma property financial statements for the next 12 months. The statements must include historical and year-to-date annualized income and expense information for comparison purposes.
Sources and uses	The Seller must provide details about a transaction's cash inflows (sources) and outflows (uses) at the time the Mortgage is funded, to enable an underwriter to understand the cash sources of the transaction and how the proceeds from the Mortgage will be used to finance the transaction. For SBL Mortgages that are refinances exceeding the existing unpaid principal balance, the sources and uses must include the existing debt and prepayment premiums or penalties associated



Document	Requirements
	with the existing loan payoff. Verification to support this request is required and can be in the form of a mortgage payoff or mortgage statement. For SBL Mortgages that are acquisitions, the following will be assessed against the funds needed to close (purchase price plus closing costs): • The verified Liquidity for Key Borrower Principals in the case of a: (i) First-Time Sponsor, (ii) Sponsors not meeting the requirements of Section 9SBL.2(c)(2), or (iii) Rapid Growth Sponsor; or • Certified Liquidity for all other Key Borrower Principals. In the event this Liquidity is determined to be insufficient, Freddie Mac may consider the Liquidity reported in the certified financial statements for other Key Borrower Principals in the assessment against the funds needed to close. Seller may be required to provide a detailed explanation of the source of funds necessary to close (including party names and respective equity contribution), certified by the Borrower, along with any supporting documentation as required by Freddie Mac. U.S. Public Companies and Governmental Entities are exempt from this additional verification analysis.
Student Housing Questionnaire, Form 1120	The Seller must submit to Freddie Mac a completed and executed Form 1120, Student Housing Questionnaire, for each Property where the concentration of graduate and undergraduate Students is greater than 25 percent.
Verification of Collections, Form 1144	The Seller must provide to Freddie Mac Form 1144, Verification of Collections, completed and certified by the Borrower or Key Borrower Principal. The last full month of verified collections must be dated within 30 days of package submission, unless otherwise specified by Freddie Mac. In lieu of a Form 1144, the Borrower may provide certified operating statements for the most recent three months.
Zoning documentation	See Section 8SBL.5 for complete requirements.