

Multifamily Seller/Service Guide

Chapter 20

Originating a Mortgage under the Multifamily Supplemental Mortgage Product



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20.1 Overview (04/15/21)

The Multifamily Supplemental Mortgage Purchase Product is one of the products under the Multifamily Conventional Cash Mortgage Purchase Program.

Note:

To originate a Mortgage under the Multifamily Supplemental Mortgage Product, refer to the Multifamily Conventional Cash Mortgage Purchase Program (Chapter 17) as well as to this chapter. Chapter 17 states the requirements for all products related to the Multifamily Conventional Cash Mortgage Purchase Program, and this chapter details only how the requirements of the Multifamily Supplemental Mortgage Product differ from those requirements.

All Mortgages submitted for purchase under the Multifamily Supplemental Mortgage Product must comply with the requirements of all other applicable chapters of the Guide including Chapters 8, 9 and 10 as well as with the requirements of this chapter.

Except as otherwise specified by this chapter, the provisions of Chapter 27 shall apply.

Checklists for each Multifamily Supplemental delivery package are available at mf.freddiemac.com/lenders/uw.

Under the Multifamily Supplemental Mortgage Product, Freddie Mac will purchase an amortizing, fixed- or adjustable-rate supplemental Mortgage placed on a Property secured by an existing Freddie Mac First Mortgage (a “Freddie Mac First Mortgage”) or by a Mortgage that has been included in a Securitization (a “Securitized First Mortgage”) (both referred to as a “First Mortgage”), or originated simultaneously with the Freddie Mac First Mortgage.

Freddie Mac offers the following types of supplemental Mortgages:

- **Split Supplemental Mortgage** – a Supplemental Mortgage that was originated at the same time as a newly originated Freddie Mac First Mortgage
- **Seasoned Supplemental Mortgage** – a Supplemental Mortgage related to a First Mortgage, that was originated at least 12 months after the Origination Date of the First Mortgage or the last supplemental Mortgage
- **Acquisition Supplemental Mortgage** – a Supplemental Mortgage related to a First Mortgage that is being concurrently assumed by a new Borrower and that was originated at least 12 months after the Origination Date of the First Mortgage or the last supplemental Mortgage

For supplemental Mortgages, Freddie Mac offers both a standard delivery option and an early rate-lock delivery option.

Freddie Mac requires a property inspection for every supplemental Mortgage submission. After the supplemental Mortgage is in place, Freddie Mac requires only one annual risk assessment per Property. Therefore, if an annual risk assessment is required for the first Mortgage, the Seller will not be required to perform an additional risk assessment for the supplemental Mortgage.



20.2 Underwriting package requirements (04/15/21)

See the following for information regarding the content of underwriting packages:

- Section 20.5, Standard delivery – LST
- Section 20.6, Standard delivery – full underwriting package
- Section 20.9, Early rate-lock delivery option – preliminary underwriting package
- Section 20.12, Early rate-lock delivery option – full underwriting package

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

For split Mortgages, the Seller/Servicer can incorporate the Freddie Mac First Mortgage and supplemental Mortgage requests in the same underwriting package.

20.3 Mortgage requirements for supplemental Mortgages subsequent to existing First Mortgages (06/16/22)

A request for a supplemental Mortgage subsequent to a First Mortgage must meet the requirements listed in Section 17.2, as modified by this section.

a. Eligible Mortgages [replaces Section 17.2(b)] (05/05/17)

A supplemental Mortgage may be placed subsequent to certain Freddie Mac First Mortgages originated under the Conventional Cash Program and purchased by Freddie Mac in 1992 or later or certain Securitized First Mortgages if the existing First Mortgage, or prior supplemental Mortgage, if applicable,

- Has no existing monetary or nonmonetary defaults
- Has not been 30 Days Delinquent within the past 12 months
- Has not been 30 Days Delinquent more than twice or 60 Days Delinquent more than once during the mortgage term
- Is secured by a Property that is owned by the original Borrower, by a Freddie Mac-approved transferee (for a Freddie Mac First Mortgage), or is owned by a transferee approved by the Servicer of the First Mortgage, if it is a Securitized First Mortgage

The principal amount of the supplemental Mortgage may not be less than \$1 million.

b. Reserved (05/11/10)



c. Term [replaces Section 17.2(c)] (05/05/17)

The term of the supplemental Mortgage may be between three and 30 years, as determined by Freddie Mac. The term of the supplemental Mortgage must be coterminous with the remaining term of the First Mortgage.

d. Reserved (05/11/10)

e. Reserved

f. Prepayment provisions [replaces Section 17.2(f)] (06/16/22)

Freddie Mac will establish the prepayment provisions for a supplemental Mortgage, including the Yield Maintenance Period and any applicable prepayment premium, prior to providing a pricing quote.

The Yield Maintenance Period for a supplemental Mortgage may exceed the remaining term of the Yield Maintenance Period of the First Mortgage.

g. Reserved

h. LTV Ratio (04/07/09)

The combined Loan-to-Value (LTV) Ratio is based on the combination of the outstanding First Mortgage amount, prior supplemental Mortgage amounts and the proposed supplemental Mortgage amount.

i. Borrower recourse/third-party guaranties [replaces Section 17.2(l)] (05/05/17)

The recourse provisions for the supplemental Mortgage generally will be the same as those for the First Mortgage.

j. Servicing Spread (05/05/17)

See Section 17.2(m) for the Servicing Spreads applicable to Supplemental Mortgages.

k. Reserves [replaces Section 17.2(n)] (05/05/17)

Supplemental Mortgages must meet the following Reserve requirements:

- Freddie Mac or the holder of the Securitized First Mortgage, as applicable, will require a real estate tax Reserve for the supplemental Mortgage if there is not already a real estate tax Reserve for the First Mortgage. See Section 39.2 for requirements for real estate tax Reserves.
- Property insurance Reserves, Replacement Reserves and any other Reserves must remain in place if they exist on the First Mortgage. See Section 39.2 for requirements for insurance Reserves and Section 39.3 for requirements for Replacement Reserves.



Freddie Mac, in its sole discretion, may require Reserves for the supplemental Mortgage even if such Reserves were not required for the First Mortgage.

l. Eligible Seller/Servicers (NOTE: Additional requirement for this product) (06/27/19)

An eligible Seller/Servicer must be a member of the Optigo Lender network in good standing that

- Services the Freddie Mac First Mortgage,
- Originated the Securitized First Mortgage, or
- Is simultaneously originating a new First Mortgage.

m. Ineligible Mortgages (NOTE: Additional requirement for this product) (05/05/17)

First Mortgages that are not eligible for a supplemental Mortgage include Mortgages that have rate reset provisions.

n. Remaining term of the First Mortgage (NOTE: Additional requirement for this product) (04/07/09)

On the Origination Date of the supplemental Mortgage, the remaining term of the First Mortgage must be at least three years.

o. Loan seasoning of the First Mortgage (NOTE: Additional requirement for this product) (09/01/16)

At least 12 months must have elapsed since the Origination Dates(s) of the First Mortgage and any prior supplemental Mortgage.

p. Reserved

q. Property performance requirement (NOTE: Additional requirement for this product) (04/07/09)

The Property must demonstrate sustained positive economic performance compared to the economic performance originally underwritten at the purchase of the First Mortgage.

20.4 Mortgage requirements for split Mortgages (05/05/17)

A split Mortgage must meet the requirements listed in Section 17.2, as modified by this section.

a. Principal amount [replaces Section 17.2(b)] (05/05/17)

The principal amount of the supplemental Mortgage may not be less than \$1 million.



b. Term [replaces Section 17.2(c)] (05/05/17)

The term of the supplemental Mortgage may be between three and 30 years, as determined by Freddie Mac. The term of the supplemental Mortgage must be coterminous with the remaining term of the First Mortgage.

c. Amortization [replaces Section 17.2(d)] (05/05/17)

The amortization period may not exceed 30 years. However, Freddie Mac, in its discretion, may set a shorter amortization period for the Mortgage.

d. Reserved

e. Reserved

f. LTV Ratio [replaces Section 17.2(f)] (05/05/17)

The combined Loan-to-Value (LTV) Ratio is based on the combination of the First Mortgage amount and the proposed supplemental Mortgage amount.

20.5 Standard delivery—LST (04/15/21)

The Seller may deliver an LST and supporting documents and a full underwriting package simultaneously. See Section 20.6 for full underwriting package delivery requirements.

The list of documents that Sellers must include in the underwriting package are specified in [Section 1.1 of Exhibit 1](#).

Chapter 55, Documentation and Deliveries, contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

20.6 Standard delivery—full underwriting package (04/15/21)

The Seller may deliver a full underwriting package to Freddie Mac with the delivery of the Loan Submission Template (LST) and supporting documents or after Freddie Mac issues a Quote.

The nonrefundable application fee as set forth in Section 27.6(a) will be deemed earned by Freddie Mac at the earlier of delivery of the full underwriting package or 30 days after the date the Borrower executes the Seller Application, and will be payable by Seller by wire transfer to Freddie Mac as set forth in Sections 27.6(b) and (d).

The list of documents that Sellers must include in the full underwriting package are specified in [Section 1.1 of Exhibit 1](#). Chapter 55, Documentation and Deliveries contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

For split Mortgages, Freddie Mac will accept or reject the applications for both the Freddie Mac First and supplemental Mortgages at the same time.



If Freddie Mac approves the application, Freddie Mac will issue a Letter of Commitment as described in Section 27.7.

20.7 Standard delivery—Letter of Commitment (04/15/21)

For information about issuance of the Letter of Commitment and acceptance of the Letter of Commitment, see Section 27.7. For information about locking the interest rate, see Section 27.14. For split Mortgages, the Seller must accept the Letter of Commitment, lock the interest rate and return Exhibit A (Interest Rate Lock and Mortgage Terms Confirmation Sheet) to the Letter of Commitment for both the Freddie Mac First and supplemental Mortgages at the same time.

20.8 Standard delivery—final delivery (04/15/21)

The process for final delivery of a split Mortgage or a supplemental Mortgage is the same as the final delivery under the Multifamily Conventional Cash Mortgage Purchase Program (see Chapter 32) except as noted in the Letter of Commitment.

For a supplemental Mortgage or both Mortgages of a split Mortgage, within the time specified in Exhibit A to the Letter of Commitment, the Seller must deliver to Freddie Mac all of the documents listed in the applicable Final Delivery Table of Contents provided at mf.freddiemac.com/lenders/purchase and any additional documents listed in the Letter of Commitment. The Seller must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the Final Delivery Instructions, also found at mf.freddiemac.com/lenders/purchase. For late delivery provisions, see Section 27.26. For nondelivery provisions, see Section 27.24.

20.9 Early rate-lock delivery option—preliminary underwriting package (04/15/21)

The terms and conditions of the early rate-lock delivery option set forth in Chapter 27 apply to the early rate-lock delivery of a supplemental Mortgage or a split Mortgage except as modified by this chapter.

Freddie Mac specifies the list of documents that Sellers must include in the preliminary underwriting package for supplemental Mortgages under the Cash Mortgage Purchase program using the early rate-lock delivery option in Part A of [Section 1.1 of Exhibit 1](#).

Chapter 55, Documentation and Deliveries contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

20.10 Early rate-lock delivery option—good faith deposit (04/15/21)

The requirements for the good faith deposit for all supplemental Mortgages are the same as the requirements for the Multifamily Conventional Cash Mortgage Purchase Program (see Section 27.10).

For split Mortgages, the Seller must collect and hold a separate good faith deposit for each proposed Mortgage.



20.11 Early rate-lock delivery option—interest rate-lock; application fee (04/15/21)

The requirements for locking the interest rate for all supplemental Mortgages are the same as the requirements of the Multifamily Conventional Cash Mortgage Purchase Program (see Sections 27.6(c), 27.8, 27.14 and 27.16) with two exceptions:

- For a split Mortgage, the Seller must lock the interest rate for both Mortgages at the same time.
- Upon interest rate-lock for a supplemental Mortgage subsequent to a First Mortgage, a nonrefundable application fee in an amount equal to the greater of 0.1 percent of the proposed supplemental Mortgage amount or \$5,000 will be deemed earned by Freddie Mac. For a split Mortgage, a nonrefundable application fee in an amount equal to 0.1 percent of the combined Freddie Mac First and supplemental Mortgage amounts will be deemed earned by Freddie Mac.

20.12 Early rate-lock delivery option—full underwriting package (11/30/11)

Within the timeframe specified in the application, the Seller must deliver a full underwriting package that is complete in all respects, including the Appraisal, to Freddie Mac.

Freddie Mac specifies the list of documents that Sellers must include in the full underwriting package for supplemental Mortgages under the Cash Mortgage Purchase program using the early rate-lock delivery option in Part B of [Section 1.1 of Exhibit 1](#).

For a complete description of Freddie Mac's requirements for each document, including a description of the required content and whether the document must be certified, see Chapter 55, Documentation and Deliveries. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

20.13 Early rate-lock delivery option—acceptance or rejection of early rate-lock application (04/15/21)

The requirements and procedures for acceptance or rejection of an early rate-lock application are the same as the requirements and procedures under the Multifamily Conventional Cash Mortgage Purchase Program (see Sections 27.18 and 27.19).

For split Mortgages, Freddie Mac will accept or reject the early rate-lock applications for both the Freddie Mac First and supplemental Mortgages at the same time.

20.14 Early rate-lock delivery option—release of good faith deposit (06/29/17)

The Seller/Servicer is not required to wait until the Freddie Mac Funding Date to release the good faith deposit. The Seller/Servicer may release the good faith deposit once the Seller/Servicer has uploaded the following information to DMS under the document type "GFD release evidence":

- Evidence that the Seller has closed the supplemental Mortgage and disbursed the proceeds to or for the account of the Borrower in accordance with the terms of the early rate-lock application and the Guide



- Copy of the executed Note
- Copy of the executed Settlement Statement

Notwithstanding the foregoing, the Seller may not release the good faith deposit if the Seller/Servicer has not submitted the Seller-executed Exhibit A (Interest Rate-Lock and Mortgage Terms Confirmation Sheet) to Freddie Mac.

Any release by the Seller of the good faith deposit pursuant to this Section will not waive or modify any obligation of the Seller to pay the Seller breakage fee that may become due.

20.15 Early rate-lock delivery option—final delivery (04/15/21)

The process for final delivery of a split Mortgage or a supplemental Mortgage is the same as the final delivery under the Multifamily Conventional Cash Mortgage Purchase Program (see Chapter 32).

For a supplemental Mortgage or both Mortgages of a split Mortgage, within the time specified in Exhibit A to the early rate-lock application, the Seller must deliver to Freddie Mac all of the documents listed in the applicable Final Delivery Table of Contents found at mf.freddiemac.com/lenders/purchase and any additional documents listed in the early rate-lock application. For late delivery provisions, see Section 27.16. For nondelivery provisions, see Section 27.24.